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East-West trade: breath of competition, Page 15

World news

UK and Nigeria to restore full links

Nigeria and the UK are set to restore full diplomatic links, Professor Bolaji Akinyemi, the Nigerian Foreign Minister, said at the conclusion of his three day official visit to Britain.

The two countries withdrew their High Commissioners in July 1984, following an abortive kidnap attempt in London of prominent Nigerian exile, Umaru Dikko.

Akinyemi said his visit was "very successful," but he stopped short of setting a date for an exchange of High Commissioners.

Libyan assets freeze

As much as one tenth of Libya's foreign exchange reserves could be affected by President Ronald Reagan's decision to freeze the country's assets in the US and placed with branches abroad of American banks. Page 3

Tambo warns SA

African National Congress leader Oliver Tambo said the ANC would rapidly step up its military and political attacks on South Africa. Page 3

EEC reform hopes

The European Parliament looks set to abandon its rejection of plans to reform the EEC and accept them grudgingly. Page 16

Party expulsions

The East German Communist Party, with 2.3m members, has expelled 63,000 in the past five years, and 25,000 have resigned. Page 2

President sacks son

Tunisian President Habib Bourguiba dismissed his son as special adviser after disagreements over a wave of arrests for corruption. Page 3

Algerian change

The Algerian Government published the final section of a new draft national charter which gives a stronger accent to Islam and the private sector within the context of the country's socialism.

Iran tightens call-up

The Iranian Parliament voted to stiffen conditions of national service, by approving a bill that all drafted soldiers should spend one year in operational zones on the Gulf war front.

Swiss expel envoy

Switzerland expelled a Czechoslovak diplomat who it says collected information on his compatriots living in the country.

Bolivian emergency

Bolivia declared a state of emergency in five provinces hit by heavy floods which have killed at least 30 people and made up to 50,000 families homeless.

HK fire controlled

Hundreds of soldiers and firemen brought Hong Kong's worst hill fire in six years under control after it raged for more than 30 hours.

Spanish phone strike

Workers at Spain's state-owned telephone company, CTNE, staged a 12 hour strike to protest against a cut in pensions. The action did not cause serious disruption because state companies are required to maintain minimum operations at all times.

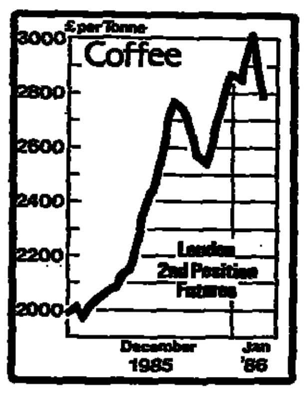
Flight scare

A man told not to smoke aboard a twin-engined aircraft between Atlantic City and Islip, New York, nearly caused a crash before another passenger beat him unconscious.

Business summary

Profit at Chemical slips 7.5% in quarter

CHEMICAL New York, sixth largest US banking group, reported a 7.5 per cent fall in fourth-quarter net earnings, in part reflecting substantially higher loan loss provisions and net loan charge-offs. However, net earnings for 1985 advanced by 14.5 per cent. Page 17



THE SELL-OFF in coffee futures gained pace with the March position, which lost £64 on Wednesday, falling another £151.50 to £2,772 a tonne, more than £230 below the 8½ year peak reached during the day on Tuesday. Dealers attributed the fall to speculative long-liquidation and profit-taking in a continued reaction to the previous dramatic upsurge. Many traders expected the market to resume its upward course once the more nervous holders of long positions had been shaken out.

TOKYO: Stocks suffered from early panic selling but recovered most of their losses before the close. The Nikkei average shed 22.23 to 13,034.19. Page 32

LONDON: Equities and bonds fell sharply. The FT Ordinary share index dropped 17.7 to 1,106.1, and the FT-SE 100 lost 24.6 to 1,379.6. Page 36

WALL STREET: The Dow Jones industrial average closed down 8.38 at 1,518.23. Page 36

DOLLAR was on the whole weaker in London, falling to DM 2.4465 (DM 2.456), SFr 2.0785 (SFr 2.085) and FFr 7.5 (FFr 7.5325). It was firmer, however, at Y202.05 (Y202.0) and the dollar's exchange rate index rose to 125.8 from 125.5. Page 27

STERLING improved in London, closing at $1.453 ($1.4435), DM 3.555 (DM 3.545), SFr 3.02 (SFr 3.01), FFr 10.8975 (FFr 10.875) and Y293.5 (Y291.5). The pound's exchange rate index improved to 78.2 from 77.9. Page 27

GOLD rose $2.75 on the London bullion market to $335.25 and gained $1.00 in Zurich to $333.75. Page 26

LONDON Stock Exchange is to launch a £2m ($2.86m) image-boosting publicity campaign during the City of London's financial revolution but is understood to have turned down a promotion programme for wider share ownership. Page 16

CREDIT du Nord chairman David Dautresme is leaving the nationalised bank to become a partner at Lazard Frères, Paris arm of the international investment banking group. Page 17

BROWN BOVERI, Swiss electrical engineering group, is now certain to raise its stake in its West German subsidiary from 65 per cent to 75 per cent. Page 17

CONSOLIDATED Gold Fields boosted December quarter earnings of its mines by 31 per cent to a total R273.4m ($111.59m) helped by record gold prices in terms of the weak rand. Page 19

OTIS, US world leader in lifts, could start production in Finland if talks with Valmet, the state-owned metal and engineering group, prove successful. Page 17

NISSAN of Japan is to plough a further $85m into its loss-making Spanish commercial vehicle subsidiary, Motor Iberica, taking its stake to more than 90 per cent. Page 17

UK Defence Secretary quits over helicopter rescue wrangle

Heseltine hits out at Thatcher style of government

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

MR Michael Heseltine last night launched a powerful challenge to the way Mrs Margaret Thatcher, the UK Prime Minister, runs her Administration after resigning as Defence Secretary over the Westland helicopter rescue affair in a dramatic walk-out yesterday morning from the Cabinet room.

Mrs Thatcher quickly moved to fill the gap, during a later stage of the Cabinet meeting, by appointing Mr George Younger, the Scottish Secretary, to succeed Mr Heseltine. Mr Malcolm Rifkind, a Minister of State at the Foreign Office, will become the youngest Cabinet minister at 39 in taking Mr Younger's place at the Scottish Office.

Mr Heseltine's departure was followed within hours by a 22 minute detailed statement delivered at his old office. This contained not only a sharp attack on Mrs Thatcher's handling of the Westland affair and her style of Government but also some of the biggest breaches of the current conventions of Cabinet secrecy seen.

The Defence Secretary's resignation follows six weeks of intense manoeuvring and his increasing frustration over the Westland affair. However, his decision to leave the Government was apparently taken during yesterday's Cabinet meeting. The move surprised close allies and colleagues in his own department who had spoken to him beforehand and who had believed he had wanted to lower the political temperature after the recent row notably with Mr Leon Brittan, the Trade and Industry Secretary.

Mr Heseltine has been promoting proposals from a European consortium to rescue Westland in opposition to the Westland board, which has backed a package from Sikorsky of the US and Fiat of Italy. Mr Brittan has made clear his belief it is a matter for the board and shareholders to decide.

Mr Heseltine's manner of going by standing up and walking out after more than 50 minutes of discussion, startled the rest of the Cabinet and was the most dramatic departure since Joseph Chamberlain left the Cabinet Room and resigned from Gladstone's third administration over Irish home rule.

The Prime Minister's attempts to brush aside Mr Heseltine's departure may be much more difficult than after previous resignations or sackings from her Government. Mr Heseltine is a more formidable political operator than most of the other Tory ex-ministers and he clearly indicated yesterday that he is determined to challenge the Government.

MPs will be watching closely to see how extensive a criticism of Mrs Thatcher he develops in the coming months. While the Westland affair has raised doubts about his judgment among many leading Tories he remains a strong contender for the leadership and succession to Mrs Thatcher in a few years' time.

In his statement delivered to a packed press conference last night, Mr Heseltine made a number of serious charges against the Prime Minister.

He accused Mrs Thatcher of "ill-tempered" attempts to suppress discussion of alternatives to the Sikorsky/Fiat option and of being prepared to send a "materially misleading" letter to the Westland board last week. These were exactly the words which the Solicitor-General had used about his own lat-

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Details, Pages 10, 11; editorial comment, Page 14; Features, Pages 14, 15

Agusta chief starts talks with partners

BY JAMES BUXTON IN ROME

MR Raffaello Teti, chairman of Agusta, the Italian helicopter manufacturer which forms part of the European consortium mounting a Westland rescue package in competition with Sikorsky and Fiat, set out for urgent talks in Paris and London last night.

His visit, arranged as soon as he heard of the resignation of Mr Michael Heseltine, Britain's Defence Secretary, was aimed at co-ordinating the consortium's next move. This is the first time Mr Teti has personally intervened in the discussions between the consortium members.

He was expected to meet his counterpart in Aérospatiale, the consortium's French member, last night before talks with the British members, British Aerospace and General Electric Company and their bankers this morning.

Agusta received the news of Mr Heseltine's resignation with both surprise and sorrow and believes his departure makes the Westland situation an even more serious matter for the Italian company.

Agusta and the European consortium, however, have their opponents in the Italian capital.

Mr Renato Altissimo, the Minister of Industry, publicly dissociated himself from a statement earlier this week from the office of Mr Bettino Craxi, the Prime Minister, which backed the European consortium.

Mr Altissimo said: "The entry of Sikorsky/Fiat into Westland seems to be virtually a fact, and if it happens it will be necessary not to take reprisals but to step up collaboration between Agusta and the foreign company in order to obtain every possible advantage."

Our foreign staff writes: West European governments, institutions and companies all reacted with dismay and regret to the news of Mr Heseltine's resignation.

Chancellor Helmut Kohl of West Germany, on being told of the resignation at a press conference said: "We had superb co-operation with Mr Heseltine and I regret that he will no longer be there."

Messerschmitt - Bölkow - Blohm (MBB), the West German member of the European consortium bidding for a stake in Westland, remained silent on the affair.

At the Defence Ministry in Bonn, however, officials stressed that while Mr Heseltine's departure had come as a shock it would not affect Anglo-German co-operation on a wide range of weapons projects, including the planned European Fighter Aircraft (EFA). It does seem, though, that as far as the

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Group of Five finance ministers to review agreement

By Jurek Martin in Tokyo and Philip Stephens in London

FINANCE MINISTERS of the five leading industrialised countries are to meet in about ten day's time in London where they are expected to review their New York agreement of last September which has led to a substantial fall in the value of the dollar.

At their first known session since the New York compact, they are also expected to prepare the ground for both the next meeting in the spring of the policymaking Interim Committee of the International Monetary Fund and for the economic summit in Tokyo in May.

There has been speculation in Japan that the ministers might again be contemplating dramatic action, which was fuelled earlier this week when Mr Yasuhiro Nakasone, the Prime Minister, called in a television interview for concerted international action to bring about lower interest rates.

In Europe, however, the view among finance ministries and central banks yesterday was that there was little prospect of a major new initiative against the dollar.

Mr Satoshi Sumita, the Governor of the Bank of Japan, also took a different line from his Prime Minister by asserting in another interview this week that it was up to individual governments to put in place policies that could lead to lower interest rates. He was speaking before Wednesday's increase in UK base rates.

The central bank governor conceded that slower domestic economic growth might make a cut in Japanese discount rate (now 5 per cent) desirable. But it is widely believed that unless or until the US Federal Reserve leads the way, Japan would take no such action in case it resulted in a weakening of the yen.

In Europe, senior monetary officials said that any ministerial talks would focus on assessing the impact of the current intervention pact and the consequent sharp fall in the dollar over the past few months.

Mr Nakasone's call was regarded as a "non-starter," according to one senior official. Britain has just raised its interest rates to defend the pound and the Bonn Government sees no reason to give a further stimulus to its economy.

Both West Germany and France also oppose further heavy intervention against the dollar ahead of the French general election in March.

The dollar's recent weakness has caused strains in the European Monetary System and France is de-

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Tokyo summit, Page 3

Bristow may hold key to future of Westland

BY LIONEL BARBER IN LONDON

THE FUTURE of Westland was last night thrown into confusion after Mr Alan Bristow revealed that he held more than 10 per cent of the helicopter company's shares, giving him a potentially decisive influence on next Tuesday's shareholders vote on the Sikorsky/Fiat rescue plan.

Mr Bristow, the former helicopter operator who last year led an £89m ($130m) City of London consortium bid for Westland which he then dropped, spent nearly £5m yesterday buying 4.46m shares at 109p through his brokers, Hoare Govett, increasing his stake from 3 per cent to 10.5 per cent.

The outspoken critic of the Sikorsky/Fiat rescue plan favoured by the Westland board said he intended to vote against the American/Italian proposal as a first step towards securing acceptance of the rival European aerospace consortium offer.

Mr Bristow, urging Westland's private shareholders to also vote against the Sikorsky/Fiat proposal, said last night: "I don't want to see Westland fall under foreign control. The British Government has said to me many times that it wanted an independent British helicopter maker. Maybe I can make a contribution."

As a 10 per cent shareholder, Mr Bristow is entitled to call for a vote at next Tuesday's extraordinary general meeting to adjourn proceedings, a move which the European consortium supports in order to have its own rescue plan considered by shareholders. More important, as the largest single shareholder, he will make it difficult for the Westland board to muster the necessary 75 per cent majority in favour of the Sikorsky/Fiat offer.

Sir John Cuckney, Westland's chairman declined to comment on Mr Bristow's intervention, saying he was solely concerned with the future stability of the company. In the Sikorsky/Fiat camp, however, there were accusations of "wrecking tactics" by Mr Bristow.

Yesterday, Sir John and his advisers lobbied City institutional shareholders to back the Sikorsky/Fiat offer.

UK shares tumble as uncertainty grows

BY MICHAEL PROWSE IN LONDON AND PAUL TAYLOR IN NEW YORK

SHARE PRICES tumbled on the London stock market for the fourth successive day yesterday as the news of Mr Michael Heseltine's resignation added to the uncertainty created by Wednesday's 1-point rise in banks' base lending rates and a sharp overnight fall in equity prices on Wall Street.

In New York, US short-term interest rates moved sharply higher again in early trading while share and bond prices continued to tumble. But despite the higher US interest rates, the dollar sank against the other leading currencies – partly on rumours that Arab investors were selling dollars in protest at the US economic embargo against Libya.

London shares and government securities came under heavy selling pressure in early trading as three-month money-market interest rates soared ¾ point higher than the 12½ per cent level of base lending rates established on Wednesday. Money-market rates eased back to 13 per cent later in the day, dampening speculation that a further rise in base rates would be necessary.

In the London equity market, traders were uncertain whether to place more blame for the sharp fall in share prices on Wall Street or higher interest rates. Part of the market decline was attributed to forced sale of stocks by traders who had made large speculative losses on shares in the stores sector.

The FT ordinary index, which has

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Multinational companies still hampered by EEC trade barriers

BY QUENTIN PEEL IN BRUSSELS

TRADE BARRIERS in the EEC still make life a misery for companies trying to operate across national frontiers, nearly 30 years after the Common Market was launched.

Physical and technical barriers – like insisting on different colouring in toothpaste in different member states – can add 10 per cent or more to the price of a product.

The most common complaints from multinational companies are at the proliferation of customs documents, of differing tax rates and of conflicting technical standards.

Even when a common standard has been agreed, some member states go further and impose higher requirements on goods like cosmetics, the companies say, negating the whole purpose of harmonisation.

Top of the hit list for exploiting trade barriers are France and Italy, although the UK is not far behind.

Those are some of the key conclusions from a new survey of business opinion on trade within the EEC, carried out by the Kangaroo group of the European Parliament – a ginger group for scrapping trade barriers – and the European Council of the American Chambers of Commerce.

Three top priorities are singled out by the survey for improving competitiveness and profitability: common technical, safety and environmental standards; a common tax structure; and removal of frontier formalities.

The survey of 53 companies showed a remarkable consistency in the complaints, compared with a similar survey carried out among companies in Belgium in 1983. Some 45 per cent cited border formalities as a problem, compared with 44 per cent before. The proportion complaining of technical barriers was 24 per cent compared with an earlier figure of 25 per cent.

The most common problems cited by the companies continue to result from a lack of harmonisation of customs documents, rates of value added tax (VAT), and technical standards.

Particular products most subject to delays at EEC frontiers appear to be chemicals, electrical parts, and computers and related parts, the survey concludes.

The differing technical standards in the EEC are blamed for the highest price rises – 33 per cent of those complaining said they added more than 10 per cent to the price of their products. Physical barriers were blamed not so much for making goods more expensive, as for making servicing and supply of spare parts more difficult.

The companies give strong support to the European Commission's White Paper on measures to remove remaining barriers to internal trade.

On the most important actions needing to be taken, one company in five cited harmonisation of national laws on technical standards, safety and the environment.

Equal second for priority were removing physical barriers at frontiers and establishing a common tax structure.

Ironically, the latter – fiscal reform – is the area most strongly resisted by the governments of the 12 EEC member states, seeking to protect their sovereignty over national taxation.

CONTENTS

EUROPEAN NEWS

Legal action sought on sale of French paper

A FEUD between France's Socialist rulers and Mr Robert Hersant, the French press magnate, intensified yesterday when a government anti-trust commission declared illegal his purchase of France's fifth biggest provincial daily, Reuter reports from Paris.

The six-strong commission, which has only advisory powers, called for legal proceedings against Mr Hersant, who bought the daily Le Progrès de Lyon last week in defiance of an anti-trust law sponsored by the Socialists.

The 1984 law, aimed largely at curbing Mr Hersant's growing empire, bans ownership by a single person or group of more than 10 per cent of the national daily press and 15 per cent of the regional market.

Mr Hersant already controls 38 per cent of the national daily press, including his flagship Le Figaro, and 20 per cent of regional dailies.

Senator Henri Caillavet, the commission chairman, said yesterday that Mr Hersant and Mr Jean-Charles Lignel, former owner of the Lyons-based Progrès group, should have requested commission approval before the deal.

Mr Caillavet said Mr Lignel and Mr Hersant had not made this request and therefore had put themselves in a position where they were violating the law.

The commission's call for legal proceedings follows an announcement on Tuesday that the public prosecutor had opened a judicial inquiry into the takeover. Mr Laurent Fabius, France's Prime Minister, has also described the deal as illegal.

"It is also scandalous economically speaking, because all the newspapers bought out by Mr Hersant have been swallowed into existing papers," he said in a television interview on Tuesday night.

Mr Fabius hinted at possible alternative solutions if the deal were nullified.

Swiss company invites bids for nuclear plant

BY JOHN WICKS IN ZURICH

DELIVERIES worth some SwFr 2bn ($961m) are involved in a new tender called for the nuclear power station planned to be built at Kaiseraugst, near Basle, Switzerland.

Kernkraftwerk Kaiseraugst, the responsible company, had already awarded a contract to the Brown Boveri-Getsco consortium in 1974. However, construction of the power station has been held up since and the installations foreseen in the original tender could no longer be approved.

The Baden-based company, itself owned by a consortium of electricity suppliers and industrial and holding firms, is issuing invitations to tender to the suppliers of the existing Leibstadt and Goesgen nuclear power stations in Switzerland and the Gundremmingen II unit in Germany.

This means that BBC-Getsco will have another chance to obtain the contract, while the German group Kraftwerk-Union will also be called upon to make a bid.

A general building permit for the Kaiseraugst plant was issued last March. Approval for the nuclear installations will be applied for after an offer is accepted.

The Kernkraftwerk Kaiseraugst board says it is looking for an "optimum solution in respect of both safety and economy," whereby potential suppliers are being asked to foresee as high a Swiss share of products and services as possible.

This seems to indicate that the Swiss-owned Brown Boveri group again has an excellent chance.

Investigation into 'illegal' shipments of US parts

PROSECUTORS in West Berlin are investigating a local company and foreign diplomats for alleged illegal shipment of US helicopter parts to North Korea through East Germany, AP reports from Berlin.

Mr Volker Kaehne, a prosecutor's spokesman, identified the company as Killewald Exportrans.

He declined to identify the diplomats or name their countries, but he said they were accredited in East Germany and therefore did not enjoy diplomatic immunity in West Berlin.

The West Berlin prosecutor's office spokesman said the company was being investigated for alleged illegal transport of war materials, adding that action also might be taken against the diplomats.

Mr Kaehne said that the company and the diplomats were suspected of having smuggled parts for the American-made Hughes 500-D helicopter from West Berlin to East Berlin with Communist North Korea the final destination.

The investigation was opened after a Berlin television station reported on Tuesday that the company planned with East German-accredited foreign diplomats to ship the helicopter parts out of the Western sector of the city into East Berlin for transfer to North Korea.

Parts for more than 80 of the Hughes 500-D helicopters were involved in the shipments, according to the television report.

A British weapons expert was quoted in the report as saying the helicopters could "easily be mounted with rockets and machine guns."

The owner of the company was identified in the programme as Mr Vladislav Kalitzki, born in Czechoslovakia, who has lived in West Berlin for 15 years and carries a West German passport.

Netherlands dispute with US looms over fibre trade

BY LAURA RAUN IN AMSTERDAM

A TRADE DISPUTE is brewing between the Netherlands and the US over Washington's ban on imports of a valuable, strong fibre made by Akzo, the Dutch chemical group.

Dr Clayton Yeutter, the US trade representative, is drafting an answer to a critical letter from Mr Ruud Lubbers, the Dutch Prime Minister, which argued that the import ban on Akzo's brand of aramid fibres by the US International Trade Commission (ITC) could damage US-European trade relations.

Mr Lubbers reportedly complained in his unpublished letter that the ITC ignored the claims by Akzo and thus issued an unfair decision.

The Hague-Washington row comes at a particularly sensitive time as Mr Lubbers chairs the European Community's Council of Ministers and, as such, sets the pace for the frequently strained trade relations between the Community and the US.

Dr Yeutter's answer also is politically sensitive because he will recommend to President Ronald Reagan whether to confirm or reverse the ITC ruling by a January 25 deadline.

The ITC ruled on November 25 that Akzo's aramid fibre could not be imported into the US for five years because it infringed upon a patent held by Du Pont, the US chemicals giant, which makes Kevlar, a competing aramid fibre. President Reagan, who has been battling trade protectionism in Congress, has 60 days in which to accept or reject the ITC decision.

The Dutch embassy in Washington has also entered the fray by leaking to the Dutch press that the Lubbers letter criticises the ITC for ignoring Akzo's claims that Du Pont has infringed upon an Akzo patent for the aramid process.

The Dutch have previously lobbied Washington to allow Akzo's Twaron fibre into the US for possible use in defence material, as a way of balancing the US's huge arms sales to Europe.

Aramid fibres are lightweight, heat resistant and five times stronger than steel, with applications in bullet-proof vests, aircraft parts and high-performance tyres. The potential worldwide market has been estimated at about $3bn a year.

Enka, which began producing Twaron a couple of weeks ago, has committed about Fl 1bn ($370m) to research.

Netherlands jobless total falls

DUTCH unemployment, long among the highest in Western Europe, dipped to a two-year low of 15.4 per cent in December while joblessness for the whole year fell for the first time in a decade, Laura Raun reports from Amsterdam.

The Labour Ministry, however, attributed half of last year's unemployment shrinkage to 15.6 per cent from 17.2 per cent in 1984 to a technical change under which jobless people of more than 57½ years old no longer must register with the Government.

The general recovery of the economy accounted for much of the improvement in the labour market, with joblessness falling notably in heavy industrial sectors such as metal working, construction and shipbuilding.

The Netherlands still ranks fourth behind Spain, Ireland and Belgium in unemployment in the European Community. The key reasons for the problem are usually ascribed to high minimum wages, lengthy dismissal procedures and generous unemployment benefits. More than half of the jobless have been without work for more than one year.

Queen of Flevoland

Queen Beatrix of the Netherlands yesterday formally added the new man-made province of Flevoland to her realm, crowning 50 years of Dutch labour to reclaim farmland from the sea, Reuter reports from Lelystad.

Flevoland, a fertile plain the size of London and its environs once covered by the waters of the ZZuider Zee Bay, becomes the 12th Dutch province.

Czechoslovakia first

Czechoslovakia plans to begin production of fiber optics cables early next year, becoming the first communist country to have the capability, AP quoted CTK, the country's official news agency as saying.

The Kablo Decin enterprise will manufacture the cables from glass fiber supplied by Sklo Union Teplice, the report said.

Turkey denies talks

The Turkish Prime Minister, Mr Turgut Ozal, and Mr Andreas Papandreou, his Greek counterpart, will both attend the forthcoming Davos Forum in Switzerland, the Turkish Foreign Ministry said yesterday, but no special meeting is planned between the two, reports David Barchard from Ankara.

The Foreign Ministry was responding to newsagency reports from Athens claiming that a meeting was being prepared between the two leaders.

More officials purged from Soviet party

BY PATRICK COCKBURN IN MOSCOW

MR VICTOR GRISHIN, until last month head of the Moscow Communist Party, has been removed from the ruling politburo, according to diplomats here. His departure which reduces the politburo to 11, was quicker than expected. Mr Boris Yeltsin, Mr Grishin's successor in Moscow, may replace him in the politburo.

The purge of senior Communist party officials carried out by Mr Mikhail Gorbachev, the Soviet leader, before the party congress meets on February 25 has continued with the retirement of three important members of the secretariat of the Communist party central committee which is the heart of political power in the Soviet Union. Their replacements are not known.

The officials retiring include Mr Konstantin Rusakov (76), the party secretary for relations with ruling Communist parties. Long a confidant of Mr Leonid Brezhnev, the late Soviet leader who died in 1982, Mr Rusakov was also a specialist on China, with which Mr Gorbachev has been seeking better relations.

The two others are Mr Vasilii Shauro (73), head of the Department of Culture since 1965, and Mr Vadim Medvedev, head of the Department of Science and Educational Institutions, say diplomats. The latter's resignation is surprising since he is only 55 and was appointed in 1983 under President Yuri Andropov.

The pattern in recent retirements has been for senior party figures over 65 to retire. Other senior officials expected to go in the near future include Mr Boris Ponomarev (79), a non-voting member of the Politburo and a secretary of the International Department of the Communist party.

Eight of the remaining Politburo members have been appointed since 1980 and two others may retire soon, say diplomats. They are Mr Dinmukahmed Kunaev (73), the party leader from Kazakhstan, and Mr Vladimir Scherbitsky, the leader from the Ukraine.

When the Communist party congress does meet, most of the 320 central committee members will be newly elected. Some two-thirds of the 159 party first secretaries have been changed since President Brezhnev died. There has also been a considerable shift of power towards the centre and the central committee secretariat.

Poland sets aside $2bn for debts this year

By Christopher Bobinski in Warsaw

POLAND IS planning to devote $2bn this year to servicing its $29bn hard currency debt and continues to count on raising fresh Western credits to cover remaining debt repayments, says Mr Zbigniew Karcz, the country's senior financial negotiator.

Warsaw failed to make a $550m interest payment due to Western governments on December 31. There is growing Western government pressure for Poland to devote a greater part of its scarce hard currency to settling government debts and paying less to commercial banks.

Under current agreements, the latter can hope to see Poland repay $1.6bn this year just over half of which will be capital payments.

Mr Karcz refused to comment on Polish strategy on this issue but implied that the simplest way would be for Western banks to increase their lending to Poland thus freeing resources to repay governments.

"If Western governments want to urge banks to take less money from us, then I have nothing against that," he said.

He added, however, that the Bank Handlowy, Poland's foreign trade bank, was constantly looking for fresh bank credits. These had made up the greater part of the $300m which the country managed to raise abroad last year.

Commenting on the $550m missed payment, Mr Karcz said the main Western government creditors grouped in the Paris club had been notified of the position in November. He blamed their failure to provide $600m worth of trade credits last year.

"No successful debt rescheduling agreement has been achieved anywhere without fresh finance," said Mr Karcz who heads the Finance Ministry's foreign department.

The target for Polish export earnings this year is set at $6.2bn, 9 per cent up on last year. Mr Karcz said he would be looking to Western governments for $1bn in trade credits to finance some 20 per cent of this year's hard currency imports which are planned to rise 5 per cent above 1985 levels.

He also suggested that payment of the $550m was now impossible and that this sum would have to be rescheduled. However, Poland would be making a $400m payment to the governments arising out of an agreement rescheduling 1981 debts.

Poland and its main creditors in the Paris club have given themselves until March 31 to sort out the problems arising out of the missed payment, Mr Karcz said.

He stressed that fresh government credits were the key to resolving the question of other payments falling due this year.

Last year, Poland paid $2.1bn worth of debt service payments of which $700m went to Western governments and the rest to banks and other groups of creditors, including the Soviet Union and Arab banks.

David Housego reports on an election issue exciting growing militancy

French racial tension mounts

COULD THE riots which hit Britain's inner cities ever occur in France? The unthinkable is entering the worrying realm of the possible with the shifting into a high gear of an election campaign in which race is one of the major issues.

Mr Harlem Desir, the young French Caribbean leader of SOS Racisme the campaign against racial hatred, detects a new mood of militancy in the immigrant community in France. It comes in the face of extremist demands from the National Front for immigrants to return to their country of origin and the more moderate platform of the right-wing parliamentary parties for a tightening of the immigration laws.

Two or three years ago, he maintains, there was a strong tide of opinion among young Algerians, Moroccans and Tunisians who had grown up in France to be accepted as part of the French community. Now, he says, they have the feeling of no longer being wanted.

He points to the growth in towns like Lyon and Marseilles of new militant, Islamic organisations whose first priority is to defend their community's interest. "It makes me think of Britain," he says. "There is a mood of despair and of being cut off from national life."

Mr Alain Peyrefitte, a former Justice Minister under President Valery Giscard d'Estaing, also detects a shift in attitudes in the immigrant community but looks at it from the very different viewpoint of a politician who favours a strong tightening up of the immigration laws. "What stupefies me," he says, "is the arrogance and aggression of some members of the immigrant community. They act as though this were their country."

Mr Peyrefitte claims that for some time he has had the impression of being "threatened" by groups of North African youths when he walks round the streets of Montereau-Surville in his constituency to the south of Paris.

Mr Desir and Mr Peyrefitte have come to symbolise the two sides of the fence in the debate over race in France. They were the main speakers in a public discussion organised in Paris last year to see whether the gulf could be bridged. Both found it a depressing experience—a dialogue of the deaf.

But after Mr Peyrefitte's disturbing description of Surville, a walk around the town in the late afternoon and evening this month provoked no feelings of being threatened in this reporter, nor apparently in other passers-by.

Surville, which rises above Montereau, is one of those mammoth housing estates put up in France in the prosperous 1960s when some employers sent lorires to North Africa to recruit Algerian and Moroccan workers.

It has a far lower proportion of immigrants than neighbouring cities such as Meaux and Melun and far lower still than the heavy concentrations of immigrant communities in Lyon, Marseille, Toulon and parts of Paris.

Nonetheless a notice on the door of the administrative offices for the estate speaks volumes for the climate of insecurity in France's suburbs and inner cities which has enabled the racist propaganda of Mr Jean-Marie Le Pen the National Front leader to thrive.

National Front youth supporters hold a portrait of their leader, Mr Jean-Marie Le Pen.

It announces that the cellars to which tenants have been entitled in their buildings are being closed because of the "the sharp increase in acts of vandalism, the risks of fires, and the frequent gathering of suspect groups threatening the safty of property and persons."

The Teinturier family, who have lived on the estate for 20 years and who are on the committee of te tenants' association are far from being Le Pen supporters and think that the growth of petty crime is a world-wide phenomenom.

But what worries Mrs Teinturier is the refusal of North African families to integrate into France and accept French customs. Her complaints are of carpets and linen hung from balconies, of noisy parties at night during the month of Ramadham, and of sheep slaughtered in the bathroom.

On official figures, there are now some 4.5m immigrants in France, of whom 780,000 are Algerian and 520,000 Moroccan. In addition there are an estimated 300,000 illegal immigrants mostly from North Africa. Racial tensions in France focus almost exclusively on the North African community.

As in Britain disputes over numbers fuel fear and emotion. Figaro Magazine recently published a controversial estimate that the numbers of immigrants in France would rise to 12.7m in the year 2015 as against a population of French nationals of 46.2m. Mr Peyrefitte believes that since the left came to power four years ago a further 1m immigrants have entered the country.

The Parliamentary right is proposing a tightening of controls against illegal immigration.

They are also proposing that French nationality should be granted only to those who pledge that they wish to be "integrated" into France. But the right now seems likely to drop a third proposal which would have limited family allowances designed to increase the birth rate to French nationals only.

In part this is because the measure was likely to have been declared unconstitutional, but it also reflects an increasing awareness on the right of the potential explosiveness of the racial issue during the election campaign.

Both Mr Raymond Barre and Mr Jacques Chirac, among opposition leaders, have recently warned of the need to dampen racial tensions. Mr Chirac, many of whose supporters are also close to Mr Le Pen, recently warned that there was a seed of racism in every Frenchman but that the important thing was not to water it.

Danish Social Democrats likely to block approval

BY HILARY BARNES IN COPENHAGEN

THE DANISH opposition Social Democratic party is expected to prevent Denmark accepting the European Community reforms negotiated in Luxembourg last month. The country has a minority non-Socialist coalition government which cannot approve the reforms without the Social Democrats' support in the Volketing (Parliament).

A meeting of the party's parliamentary group which ended late on Wednesday evening came out against the reforms overwhelmingly. The only person to speak decisively in favour of them was the party leader and former Prime Minister, Mr Anker Joergensen. Several members said they would only be acceptable if approved by a referendum.

No vote was taken, however, and the group will not take a final position until January 20, the day before the reforms are debated in Parliament.

Denmark's biggest blue-collar trade union, the Special Workers' Union, yesterday voiced its strong opposition, too. Last week the LO trade union council said the country had more to gain than lose by accepting the reforms.

Mr Joergensen said after his party's meeting that members feared that formalising EEC political co-operation in a treaty would prevent co-operation with other countries, particularly Norway. They thought majority voting on internal market affairs would prevent Denmark from pursuing independent policies for protection of the environment and safety at work. The reforms also give greater influence to the European Parliament, "which we have always been against," said Mr Joergensen.

Soviet Union plans rapid nuclear power expansion

BY DAVID FISHLOCK, SCIENCE EDITOR

RAPID EXPANSION of the nuclear electricity capacity of the Soviet Union over the next five years is forecast by a senior Soviet nuclear energy official.

According to Dr Boris Semenov, vice-chairman of the state committee for the utilisation of atomic energy, the Soviet Union has commissioned seven pressurised water reactors since 1980.

Dr Semenov, a former top official with the International Atomic Energy Agency in Vienna, is reported by the newsletter Nucleonics Week as saying that the next four years will see the proportion of nuclear electricity in the USSR expand from 10-11 per cent today to 20-21 per cent.

The Soviet Union already has more nuclear plants in operation than any country except the US and France. Currently they are supplying about 300m kilowatt-hours of electricity a year, according to Dr Semenov.

He also disclosed ambitious plans to exploit the Soviet Union's fast reactor technology, which Britain is now developing as part of a six-nation European "club."

The USSR has been operating a 600 Mw demonstration fast reactor since 1980, at capacity factors of 72-73 per cent, Dr Semenov claimed. Now it plans to embark on a series of production reactors of 800 Mw capacity, based on the BN-600 demonstrator.

The fast reactor has become a controversial issue in Britain again, with a public inquiry in Scotland this spring investigating plans to build a reprocessing plant for fuel from several demonstrator reactors the European club is planning to construct.

Irish line sets sail again after union ends strike

BY HUGH CARNEGY IN DUBLIN

B+I, the state-owned Irish shipping line, yesterday resumed services and withdrew redundancy notices issued to staff on Wednesday after the Seamen's Union of Ireland (SUI) called off a strike and agreed to talks on a disrupted restructuring plan for the company.

The move followed a government warning that it would not fund the cost-cutting plan unless the SUI and other unions agreed to it by a deadline set by B+I next Tuesday.

B+I is Ireland's only remaining major shipping company. It employs 2,000 people running passenger and freight services to Britain and the Continent.

It has accumulated losses of nearly I£50m (£43m) over the past four years. It faces liquidation unless negotiations can bridge the wide gulf on reorganisation separating management and unions who have failed to reach agreement in two months of sporadic talks.

E. German party reveals 63,000 expulsions

BY LESLIE COLITT IN EAST BERLIN

THE 2.3m-strong East German Communist Party, one of the largest in Eastern Europe in relation to population, has expelled 63,000 members, in the past five years, 25,000 have resigned.

The central committee reported yesterday that the expulsions took place to maintain the "unity and purity" of the party. No other explanation was given, but members do not normally resign unless they have serious differences with the party.

East European diplomats in East Berlin said it was safe to assume most of the expulsions were the result of "moral transgressions" and not political opposition.

The central committee report noted that every sixth East German over the age of 18 is a party member or candidate for membership. This is one of the highest ratios in Eastern Europe although the party did not grow in the past five years.

East Germans join the party mainly to further their careers, as higher-level jobs are largely for party members.

The number of women in the East German party rose 1.8 per cent to 35.5 per cent of total membership. No full members of the ruling politburo are women, however, but two women are candidates. East Germany has one female Cabinet Minister, Mrs Margot Honecker, wife of the East German leader, Mr Erich Honecker.

More than 58 per cent of party members were said to be workers, but the report noted that 37.9 per cent of them, were "production workers." Party officials routinely give their profession as "worker," although they have been desk workers for years. The Soviet Union has said that 44.1 per cent of its party members are workers.

The rest of the party in East Germany is made up of 22.4 per cent intelligentsia — including everything from engineers to teachers, with 7.7 per cent white-collar workers and 4.8 per cent collective farmers, and others.

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Washington steps up pressure on Bonn to act against Libya

BY RUPERT CORNWELL IN BONN

THE STRAINS between Bonn and Washington over how best to tackle Libyan involvement in international terrorism sharpened yesterday as the US stepped up public pressure on the West German Government to take tougher action against the regime of Colonel Gadaffi.

Immediately after Chancellor Helmut Kohl had explained again Bonn's refusal to adhere to the American economic sanctions against Libya, Mr Richard Burt, US Ambassador to Bonn, declared that such arguments were purely "academic."

For all the courtesies with which both men surrounded their statements, there was no mistaking the deep differences between the two sides, nor the unusual step of Mr Burt in calling a press conference to emphasise his Government's views—shortly before a meeting with Mr Hans-Dietrich Genscher, the West German Foreign Minister, to press the Administration's case further.

Politely but unmistakably, Mr Burt rejected complaints from Bonn and other West European Governments reluctant to join the US led action, that they had not been consulted beforehand.

Washington, he said, was seeking to promote a consensus among civilised nations, because only a multilateral effort "could deal effectively with Libya and the broader problem of international terrorism."

Sometimes, however, leadership required that "one get out ahead of opinion and lead it."

Mr Kohl had earlier told a press conference in Bonn that the varying attiutdes of the two countries were like a difference of opinion between members of the same family, and expressed his conviction that the US would understand the German point of view.

West Germany relied heavily on Libya for its oil, while 1,500 German nationals lived in the country. But Bonn supplied no weapons or nuclear equipment to Tripoli, and his Government had cut its export guarantee ceiling for Libya from DM 10bn (£2.8bn) to DM 7bn since it took office in 1982.

Patrick Blum writes from Vienna: Mr Karl Blecha, the Austrian Interior Minister, yesterday rejected suggestions that Libya was involved in the terrorist attack in Vienna airport which left three dead and 40 wounded.

"We have no information that Libya was involved here," he said at a joint press conference with Mr Oscar Scalfaro, the Italian Interior Minister, who was on a 24-hour visit to Vienna to discuss security co-operation.

"When asked repeatedly and concretely about Libya, the two terrorists said that they had not been in Libya and that they had not been trained there. We have no reason to believe that the terrorists who acted in Austria were in Libya or came from Libya," Mr Blecha said

Our Middle East Staff writes: An emergency meeting of Arab states has been called for next Monday to discuss, the US sanctions against Libya, according to Kuwait radio. The meeting, which will be attended by foreign and finance ministers of the Arab League, is to be held in response to a Libyan request.

A meeting last weekend of the Arab League's permanent representatives in Tunis condemned US threats of military action. President Reagan's decision to freeze Libyan assets in the US is certain to cause widespread concern.

ANC chief vows to escalate offensive in South Africa

BY ANTHONY ROBINSON IN LUSAKA

THE African National Congress president, Mr Oliver Tambo, yesterday announced the ANC's intention to escalate rapidly its military and political offensive against the South African Government and the apartheid system which will inevitably involve mounting civilian casualties.

Declaring 1986 the year of *Umkhonto we sizwe*, the military wing of the movement, Mr Tambo told a press conference here the government of President P. W. Botha had lost the strategic initiative while the ANC was building up a "united mass army of liberation."

In a broadcast beamed to South Africa by ANC's Radio Freedom to mark the 74th anniversary of the founding of the movement, Mr Tambo called on ANC units and supporters to "extend the offensive on their township borders into other areas."

This, he explained yesterday, meant taking the struggle into white areas "so that the whole country realises that a war is taking place and that the violence and bloodshed in the townships also involves them."

Mr Tambo said there had been no change in the ANC's long-standing policy of attacking only military and strategic and not "soft" civilian targets. He said the recent series of landmine explosions in border areas was part of this strategy as farmers in these areas were armed and part of the security apparatus.

But, in reply to persistent questioning about the bomb explosion in a supermarket at Amanzimtoti south of Durban which killed six people just before Christmas, Mr Tambo tacitly acknowledged that an ANC internally-based guerrilla unit was probably to blame.

"We do not know yet, but there is no ANC policy which calls for attacks on civilians in supermarkets, schools and so forth. This is a war situation, however, and hundreds of people, mainly blacks, have been killed by the army and police in the townships and also in massacres of civilians across the border in Maseru and Gaberone."

Under these circumstances, he said, "some of our units might say 'we'll risk being disciplined,' and take action of this kind. I can understand the circumstances in which this happens. I do not rejoice at it, but violence is moving out of the townships and its future course is not predictable. We are moving into stormy times which will involve all of us until apartheid is abolished."

While insisting that the ANC took "elaborate precautions" to minimise civilian casualties during attacks against military or strategic targets such as power stations, oil refineries and arms factories, "we are certain that many civilians will be caught in the crossfire."

In his broadcast speech on Tuesday night, whose text was released at the press conference, Mr Tambo also called for a "continuous attack on the economy to deny the enemy the means to conduct its campaign of terror" and called for further sanctions by the international community and the banks.

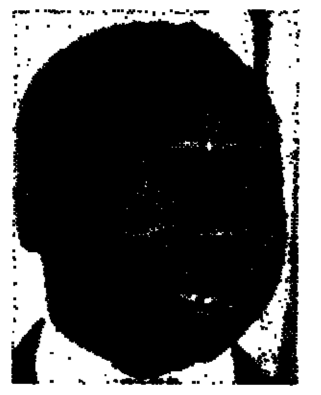
He also ordered *Umkhonto we* (spear of the nation) units to "attack, advance, give the enemy no quarter, an eye for an eye, a tooth for a tooth." He then called on whites, especially white youth, to refuse to serve in the armed forces and join the struggle against apartheid and on the white business community "to stop producing weapons that murder our people."

Mr Tambo made clear that the assassination campaign against black local councillors and other "collaborators" with apartheid would continue while the ANC would support what he called "an immense offensive . . . to destroy once and for all the pass laws, influx control and our forceable removal to the Bantustans (black homelands)."

He called on the white business community which he described as having been very loud in demanding change, to join the anti-pass campaign by not demanding passes from African workers or taking advantage of the migrant labour system. Under existing law every black South African must carry a pass which determines where he or she can live and work.

Expensive projects are seen as inappropriate, reports Mary Ann Fitzgerald

Kenya serves notice on aid donors



President Moi

IN A considered and courageous move rare amongst black African states, Kenya is about to notify its Western backers that no longer will it accept donor largesse unquestioningly, thank you very much. Instead, it intends to adopt a more discretionary approach towards concessionary financing, in a bid to escape the continent-wide treadmill of debt.

According to a Treasury memo circulated to ministries last year Kenya will in future cut back on development expenditure, initiating only low-cost projects. Donors who suggest prestigious schemes of the type that have marked previous programmes are likely to be politely turned down.

The memo calls for a review of ministerial budgets over the next three years. "It is evident that the approved levels of expenditure in the earlier forward budget cannot be sustained. Thus, no major growth of Government expenditure is possible," it says. Under the austerity plan total development expenditure for the next years has been put £1.2bn.

Kenya's annual aid flow averages about $400m, one of the higher levels among African states. Even so, development outlay has been slashed from 13 per cent of gross domestic product five years ago to 8 per cent today.

The decision has been made against a background of slow revenue growth and a rising debt service ratio that will soon reach 30 per cent. It is also underlined by Government concern over chronic budgetary and balance of payment deficits.

A flurry of donor-supported, capital-intensive projects in the 1970s accounts for much, but not all, of Kenya's foreign debt, which tops $3bn. Principal repayments accepted during that period are now falling due.

In addition, there have been several recent expensive purchases, including two British Vosper patrol boats for the navy worth over £100m, two wide-bodied Airbus aircraft for Kenya Airways costing about $120m and airport radar equipment.

Next year Kenya must also repay at least $100m to the International Monetary Fund (IMF) for past loans. An eighth standby loan is hoped for this year to help erase the anticipated balance of payments shortfall of more than $200m.

The budget rationalisation has elicited varied reactions, winning support from major backers such as Britain, the US, West Germany and the World Bank. But some of the smaller donors, who will be the casualties in the stiff competition to find outlets for aid money, are thought to have been angered by the policy shift.

"It's moving in the right direction at the right time. Donors should help instead of looking only at their short-term interests. In the long run, it's better for everyone if Kenya is stable," said a Western diplomat.

The Government is becoming increasingly vocal in publicising its attitude. Mr M. N. Dangana, a Treasury official, complained that 40 per cent of aid allocations are eaten up by expatriate salaries, consultancy services, training and research whilst a large part of the balance goes towards foreign equipment.

President Daniel Arap Moi has echoed this viewpoint, calling for greater latitude by aid recipients in the use of concessionary funds. He has reaffirmed Kenya's decision to focus development on strategic areas such as agriculture.

Kenya has recovered well from the drought in 1984, the worst experienced in 50 years, and a 4 per cent expansion in GDP was forecast for 1985. This is a sharp turnaround from 1984's negative growth level, when 1.5m people received famine relief following widespread crop failure.

Without doubt, the most pressing long-term problem is the 4.1 per cent population growth rate, probably the world's highest. About half of Kenya's 20m people are aged under 15, poised to enter the job market. Yet out of a labour pool of 7m only 1m draw wages. National leaders have recognised the problem and last year the budget for family planning was tripled.

Trade terms are deteriorating and during the first half of 1985 the deficit widened by 62 per cent compared with the same period of 1984. Coffee and tea are the major source of foreign exchange earnings, but there is little room in the global marketplace for production expansion. Tourism, another earner, brings in steady but not growing revenues.

Transport services also contribute to foreign exchange levels, which have been maintained at three months' import cover. However, transhipment income has suffered from the disrupted economies of neighbouring Uganda and Tanzania.

Kenya has done a commendable job in keeping its budget deficit to about 4 per cent of GDP. In the past it has incurred IMF disapproval for heavy domestic borrowing to close the gap. This year, the deficit is being underwritten by Government bonds.

'One-tenth' of Libyan assets may be frozen

BY RICHARD JOHNS

PERHAPS AS much as one-tenth of Libya's foreign exchange reserves could be affected by President Ronald Reagan's decision to freeze the country's assets in the US and placed with branches abroad of American banks, according to Middle East bankers. But they stressed that it was far too early to assess the impact.

The executive order issued on Wednesday might also raise the issue of the state-owned Libyan Arab Foreign Bank's (LAFB) stakes in the Arab Banking Corporation and Union de Banques Arabes et Francaises. Both have affiliates in New York.

LAFB, together with the Libyan Foreign Investment Company (Lafico), is the vehicle through which the Libyan Central Bank deploys funds abroad including some of the country's foreign exchange reserves. These stood at $4.15bn at the end of August, according to figures submitted by Tripoli to the International Monetary Fund. But they are regarded with some scepticism by some bankers.

Neither the Bank of England nor the Bank of International Settlements, the main source of statistical information about the deployment of the financial assets of oil exporter; publishes any breakdown for Libya.

The bulk of Libya's funds are believed to be held in West Europe — particularly Italy, West Germany and France—with a preference for them being handled by Arab banking institutions in which LAFB has an interest.

In practice, a large proportion of Libyan deposits with non-American banks would find its way back to the US but the ultimate ownership would not be identifiable.

Libya has a one-third share in the successful and expanding Bahrain-registered Arab Banking Corporation which at the end of 1984 was capitalised at $750m and had assets of $11.05bn. The rest is owned equally by Kuwait and the United Arab Emirates.

Apart from its holding in the Paris-based UBAF parent company which has affiliates in Rome and Hong Kong as well as New York, LAFB also owns 25 per cent of UBAF Ltd in London in which the Midland Bank also has a 25 per cent stake.

Investments controlled by Lafico, the most prominent of which is the 13.8 per cent share of Fiat, were valued at $850m at the end of 1984.

The Commerce Department's last survey of oil exporters' physical assets in the US was in 1981 and included only one Libyan acquisition made in 1980. Somewhat bizarrely, it was the Calvary Church of Nazarene in Vermont, valued at $1.5m.

Tokyo in top gear for summit

By Jurek Martin in Tokyo

JAPAN has embarked on an unusually intensive diplomatic campaign to lay the ground work for May's economic summit of the leading industrialised countries in Tokyo.

Mr Noboru Takeshita, the Finance Minister, leaves for London late next week, for a meeting of Finance Ministers from the five leading industrialised countries, and later goes on to the US.

This weekend, Mr Yasuhiro Nakasone, the Prime Minister, will go to Canada for talks with his opposite number, Mr Brian Mulroney, whom he is said to see as a potentially valuabel summit ally.

Yesterday, Mr Shintaro Abe, the Foreign Minister, left for Washington for talks with the US Administration, including a brief session with President Reagan, that are likely to embrace trade friction, the US Star Wars plan and possible Japanese participation in it, as well as preparation for the summit.

Mr Nakasone and Mr Abe fly back from Canada together to meet Mr Eduard Shevardnadze, who will be making the first visit to Japan by a Soviet Foreign Minister for ten years next week. Mr Abe promptly leaves again for Loudon and Bonn, while Mr Nakasone remains behind to confer with Mr Jacques Delors, President of the European Commission.

Finally, Mr Michio Watanabe, the new Minister for International Trade and Industry, takes off late next week for California for the latest round of quadrilateral trade talks with his US, Canadian and European Commission counterparts.

These missions offer Mr Nakasone, Mr Abe and Mr Takeshita the opportunity to score domestic political points as they gear themselves up for their contest for Mr Nakasone's job later this year.

But they also underscore the extraordinary importance which Japan attaches to the summit at which it will play host. National amour propre, not to mention individual reputations, ride on a successful outcome to the extene that Japan is leaving few preparatory stones unturned.

US lets Israel switch funds from jet fighter

By Lynne Richardson in Tel Aviv

ISRAEL'S Finance Ministry has succeeded in persuading the US Administration to allow $300m of military aid earmarked for the Lavi fighter project to be used for other defence purposes.

The ambitious next generation attack aircraft has been the centre of controversy since the decision to build was taken in 1980. Its detractors hold that Israel, with all its economic problems, cannot afford what rich Europeans have to join forces to provide. Its supporters argue, in the words of Defence Minister Yitzhak Rabin, that "this is all coming from American money."

However, with the Defence Ministry reluctantly accepting budget cuts and the consequent reduction in orders to local industry, other voices within the Defence Ministry are demanding the Lavi funds be used for all arms of the service.

Concern over surge in trade deficit

By Tony Walker in Jerusalem

ISRAEL registered a worrying surge in its trade deficit in the past two months of 1985, according to figures released this week by the Central Bureau of Statistics. Imports exceeded exports for the months of November and December by 152 per cent seasonally adjusted, compared with the previous two months, the Bureau reported.

Imports increased for the two months by about 16 per cent against a similar drop in exports. The late-year surge in imports is an ominous development for the government, which has been battling to reduce the trade deficit. This reached a peak of $3.5bn (£2.5bn) in 1983 during the right-wing Likud administration.

The merchandise trade deficit in 1985 was about $2bn compared with $2.5bn in 1984. Cost of living figures for December released this week showed that inflation continued to moderate.

Bourguiba dismisses his son

BY FRANCIS GHILES

PRESIDENT Habib Bourguiba of Tunisia has dismissed his son, Mr Habib Bourguiba, from his post as special adviser. For the time being Mr Bourguiba Jr., who also heads the Banque de Developpement Economique de Tunisie, remains a member of the central committee of the ruling Destourien Socialist Party (PSD).

The immediate reason for Mr Bourguiba Jr's dismissal appears to have been his opposition to a wave of arrests ordered at the end of the year after President Bourguiba had denounced the spread of corruption in Tunisia.

The day after the speech the PSD daily "L'Action" carried a list of affairs which it felt should be investigated. Most of those arrested have, however, been released for want of proof.

Throughout the events of the past two weeks, the Prime Minister, Mr Mohamed M'Zali, has given strong support to the President.

Meanwhile, the former leader of the powerful trades union movement, Union Generale des Travailleurs de Tunisie (UGTT), Mr Habib Achour, who was removed from office late last year and put under house arrest, was formally jailed on December 31.

AMERICAN NEWS

Budget reform bill faces court test

BY STEWART FLEMING IN WASHINGTON

THE REAGAN Administration has paved the way for a Federal district court in Washington today to hear the first legal challenge to the constitutionality of the Gramm-Rudman reform of the Federal budget process approved by Congress last month.

The US Justice Department, which had challenged the legal standing of 12 Congressmen to bring the suit, filed a brief with the court late on Thursday accepting that the National Treasury Employees Union was legally qualified to plead its case against the budget reform measure.

The Justice Department move came shortly after President Ronald Reagan signalled his unhappiness with aspects of the budget reform bill, which the White House supported. Mr Reagan said he had "never favoured" the provision in the bill which triggers automatic spending cuts if Congress and the Administration cannot reach agreement on budget measures to meet the budget deficit reduction targets laid down in the legislation.

The Gramm-Rudman bill calls for the elimination by 1991 of the Federal budget deficit, which hit $212bn (£151bn) in 1985.

Concern about the vulnerability of the Gramm-Rudman budget reform bill to a constitutional challenge led Congress to include in the bill a back-up procedure calling for a deficit reduction Bill to be passed by Congress and signed by the President.

Nervous investors on Wall Street have been citing their concerns about constitutional challenges to the bill as one of several factors behind the dramatic fall in the stock market and the rise in interest rates. It is feared that if the budget process is weakened or overturned the hoped-for cuts in the Federal budget deficit will not materialise.

In its brief on the court case the Justice Department said the law is unconstitutional because it would empower the Comptroller General to give orders to the President. It had previously argued that the law mixes executive and legislative functions in a way which is unconstitutional.

● Reuter reports from Washington: US Defence Secretary Mr Casper Weinberger, firing the first shot to try and defend his threatened military budget, said yesterday the Soviet Union had deployed 45 SS-25 intercontinental ballistic missiles in violation of the Salt-2 nuclear arms pact.

Canadian bankers to meet on Baker plan

By Bernard Simon in Toronto

THE chief executives of major Canadian banks are to meet Mr Michael Wilson, Canada's Finance Minister, to discuss the Baker proposals for expanding commercial bank loans to Third World debtors.

The Canadian banks submitted a report to Mr Wilson last month calling, among other things, for greater government involvement in the Baker initiative and a reassessment of trade policies towards debtor countries.

Confirming that the meeting is likely to take place within the next 10 days, the Finance Ministry said yesterday: "We want to hear what they have to say."

The six Canadian banks, whose exposure to 32 problem debtors is estimated at just over C$21bn (£10.5bn), last month issued a brief statement cautiously welcoming the Baker proposals. In private, however, some of the banks—notably Bank of Nova Scotia and Bank of Montreal—have expressed reservations about increasing their exposure to troubled borrowers.

One of their objections is that Canadian banks already face the burden of meeting a government requirement to build up special reserves equal to 10-15 per cent of their loans to 32 Third World countries. One banker said yesterday: "The banks don't feel they should go it alone."

The confidential report to the Minister outlining the banks' position was drawn up by a working group of the Canadian Bankers' Association, chaired by Dr Edward Neufeld, chief economist of Royal Bank of Canada. Despite their reservations, Bank of Nova Scotia and Bank of Montreal are understood to have put their names to the document.

The Canadian banks eventually are expected to take their lead on participation in the Baker plan from their US counterparts. More than 80 per cent of the Canadian banks' outstanding Third World loans are to four countries—Mexico, Brazil, Venezuela and Argentina.

Duvalier aid pledge fails to stem Haiti protests

BY CANUTE JAMES IN KINGSTON

A PROMISE by President Jean Claude Duvalier of increased foreign aid this year to make the economy of Haiti "the best our country has known since the start of the decade," has failed to stem a series of organised street protests against his regime.

Diplomats in Port au Prince, the Haitian capital, said that the protests, which began six weeks ago, flared again this week in the city of Gonaives, which has become the centre of increasing anti-Government sentiments, and in the town of St Mark.

The new protests are apparently being treated more seriously than those of last year, with local security forces being helped by militia flown from the capital to keep order.

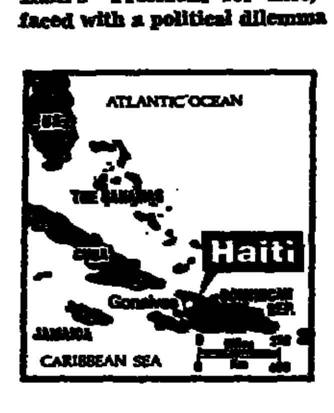
The new wave of demonstrations against Mr Duvalier, Haiti's "President for Life" who took over from his father, "Papa Doc" in 1971 after his 14 year Presidency, coincided with the release from prison of Dr Hubert Ronceray, a former Minister and ambassador who was arrested during earlier protests for possessing "subversive" literature; he has now emerged as a focus for the opposition.

The timing of his release appeared to be an attempt, apparently in vain, to mollify the young Haitians who are leading the protest. Dr Ronceray's arrest followed the publication of a letter sent to him by over 30 youth leaders asking him to arrange a one-day national strike to support the protests.

The continuing demonstrations will further test the skill of President Duvalier in satisfying critics, mainly in the US, who say financial aid is dependent on an improvement of human rights in Haiti.

The US is still not releasing about $55m in promised assistance for Haiti until there is progress on human rights. In announcing the increased aid to Haiti for this year, Mr Duvalier did not mention these funds.

Mr Jean-Claude Duvalier, Haiti's "President for Life," faced with a political dilemma



He said the economic problems being suffered by the country were caused by a small elite of rich and mostly white people. Haiti, with an annual per capita income of $269, is among the poorest countries in the region.

The President said he expected aid from the International Monetary Fund, the World Bank, and the governments of France, Japan and West Germany. The IMF, he said, was providing $30m.

Recently, Mr Duvalier sacked both Mr Jean-Marie Chanoine, his Interior Minister, and Col Albert Pierre, the chief of police, following mounting criticism of police handling of last November's protest in which three schoolchildren were shot dead.

The Government has also been attacked for its attitude to the church, following the expulsion of three Belgian priests who criticised the Administration's human rights record. A radio station run by the church was closed.

The protests have caused a dilemma for Mr Duvalier. Although in the past he has been assured of economic and political support from the US, which regards Haiti, and the neighbouring Dominican Republic as bulwarks against Communism, he knows that excessive force in dealing with the protests could provoke serious concern about human rights.

There appears to be no ideological basis for the protests. Both Dr Ronceray and Mr Sylvio Claude of the Christian Democratic Party, another often imprisoned political opponent, would probably be regarded as acceptable leaders if the protests reached the level of threatening the survival of the Duvalier regime.

With an uncertain political outlook in the Dominican Republic, where a presidential election is due in four months, the US might be moved to help calm widespread public unrest in Haiti.

This could mean, said one diplomat in Port au Prince, funding Mr Duvalier's dictatorship and ignoring its human rights performance. Alternatively, the US could throw its weight behind an acceptable and politically tolerable alternative leader.

Brazilian car sales at near record levels

By Ann Charters in Sao Paulo

Brazilian motor vehicle manufacturers closed the year with domestic sales and production ahead of optimistic projections and employment near record levels. But clouding these results were price controls on domestic sales which kept vehicle prices rising less than inflation and $100m (£71m) in exports lost during a prolonged strike against the industry.

With domestic sales up 12.8 per cent at 763,680 vehicles and production up 11.8 per cent at 967,100 vehicles compared to 1984, some manufacturers have been putting on three shifts to meet export commitments and continued strong domestic demand. For more popular cars, there is a 30-to 60-day wait.

Demand is expected to slacken slightly in 1986 and domestic sales to grow a more moderate 8 per cent. Mr Andre Beer, president of Anfavea, the national association of automobile manufacturers, said that real wage increases and year-end bonuses, coupled with relatively attractive car prices, made 1985 a near record year in domestic sales but that the industry expects demand to return to more normal levels early this year.

Brazil seeks tacit IMF support

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

BRAZIL is seeking to persuade the International Monetary Fund to endorse its new economic programme in a way that would permit it to negotiate a debt restructuring with commercial bank creditors.

Mr Dilson Funaro, Finance Minister, and Mr Fernao Bracher, central bank governor, were both in Washington yesterday for talks with Mr Jacques de Larosiere, IMF managing director. Today they are due in New York, where Mr Bracher is expected to have private talks with senior bankers ahead of a full meeting of top creditors late next week.

The bank creditors have been insisting on IMF involvement in Brazil's economic policy-making before they will consider its request to restructure debts falling due in 1985 and 1986, but this has posed a delicate political problem within Brazil as the Government has set its face resolutely against an IMF programme.

The Brazilian officials hope to work towards a compromise solution whereby the IMF would simply give a green light to the bank creditors without any formal arrangement to monitor the country's economy.

This idea is controversial, however, because it would be a departure for the IMF, which has played no part in formulating current economic policy in Brazil. Few bankers expect Mr de Larosiere therefore to be able to offer much, if anything, in the way of support.

An informal endorsement may also not be enough to satisfy many bank creditors, who are growing increasingly worried about the recent acceleration of Brazilian inflation.

Banks vary in the degree to which they feel the IMF should become involved, but a strong body of opinion feels that it needs a formal standby programme. "We feel a formal programme or something not far short of that might be required," one senior banker said yesterday.

Discussions between the two sides are growing more urgent because of a deadline next Friday when arrangements to extend nearly $16bn (£11.4bn) in short term credit expire.

Funaro announces $12.4bn trade surplus

BY RICHARD FOSTER IN BRASILIA

BRAZIL'S trade surplus for 1985 was $12.4bn (£8.8bn), just 5 per cent less than the record 1984 surplus of $13.1bn.

In announcing the result, Mr Dilson Funaro, Finance Minister, said the surplus was the world's third largest in 1985 after those of Japan and West Germany.

Because of weak export performance in the first quarter of 1985 the central bank had earlier projected a year end surplus of only $11.5bn, $900m short of the final result.

Export performance in 1985 was in fact down to $25.5bn from $27bn in 1984. But imports, largely due to falling oil prices, also dropped from $13.9bn to $13.2bn.

The trade surplus for December was $1.09bn with $2.55bn in exports and $1.46bn in imports. Exports in December of last year were significantly above those of the same month of 1984, the record year, suggesting Brazil's flexible battery of manufactured and commodity exports will continue to resist the high price of the US dollar and trade barriers in rich countries.

The central bank is predicting another hefty surplus of $12.5bn for next year from exports of $26.5bn and imports of $14bn.

WORLD TRADE NEWS

Airbus scours world for project finance

In the second of a three part series David Marsh in Paris looks at the consortium's efforts to win support for aircraft development.

AIRBUS INDUSTRIE, the European airliner manufacturing consortium, is casting its net ever wider in an effort to secure financing and production support for new products designed to compete with Boeing in the 1990s.

Consortium representatives have been sounding out the three major Japanese aerospace companies, Mitsubishi, Mitsui and Fuji, over the possibility of bringing in Japanese partners in proposed projects to build the short to medium range TA-9 and long-range TA-11 airliners which Airbus hopes to get off the ground in the next few years.

A senior executive of Aerospatiale, the French state-owned group which has a 37.9 per cent stake in Airbus Industrie, confirms that exploratory contacts about possible co-operation have also been made with McDonnell Douglas of the US, which is also fighting to stay in the business of competing with Boeing.

Such contacts just amount to "words" at the moment, the executive says. McDonnell Douglas is searching for launch orders for a planned new ultra-long range aeroplane of its own, the MD-11, which would be in a similar category to the TA-11.

Pooling expertise on a joint product would be a tantalising proposition—but chances of any firm agreement are clearly highly tentative at this stage.

Airbus has also been making extensive investigations with world airlines over specifications required for the 1990s. Airbus Industrie technical and marketing teams visited 34 air companies in the autumn to discuss the consortium's new product strategy.

Questioned over the possibility that airlines might be asked to co-finance future programmes—the cost of Airbus's planned projects is put at $2.5bn—Mr Jean Pierson, the consortium's chairman, appears to exclude airlines taking a direct financial stake.

But, he says: "Companies which want to support new aeroplanes by providing launch orders always have the possibility of making advances—and paying them as soon as possible."

In pressing ahead to extend its series of aircraft, Airbus is caught in a two-way squeeze. On the one hand, it has no choice but to try to confront Boeing in a greater variety of product categories—beyond its original wide-body A-300s and A-310s and the A-320 now under development.

But on the other hand, Airbus is facing growing reluctance from the European governments which back it to provide further funds for aircraft development.

The British Government's scepticism about providing taxpayers' money for aircraft launch aid is expected to be a particular stumbling block in amassing finance for the TA-9 and TA-11.

Executives at Aerospatiale say they are reasonably confident of West German official support for the new products.

As for the French contribution, Mr Henri Martre, the Aerospatiale chairman, says his company does not have sufficient capital to back new Airbus projects and would have to rely as in the past, on repayable advances from the French Government.

Mr Jean Auroux, the French Transport Minister, has recently shown prudence over the idea of committing new funds. Mr Martre says Aerospatiale repays to the Government FFr 600m (£55m) a year on past loans made to back the A-300 and A-310.

Government advances are now starting to build up again to finance development and production of the A-320 being assembled at Aerospatiale's Toulouse hangars. The French Finance Ministry has rejected a suggestion from Aerospatiale that future development costs should be financed by retaining past advances.

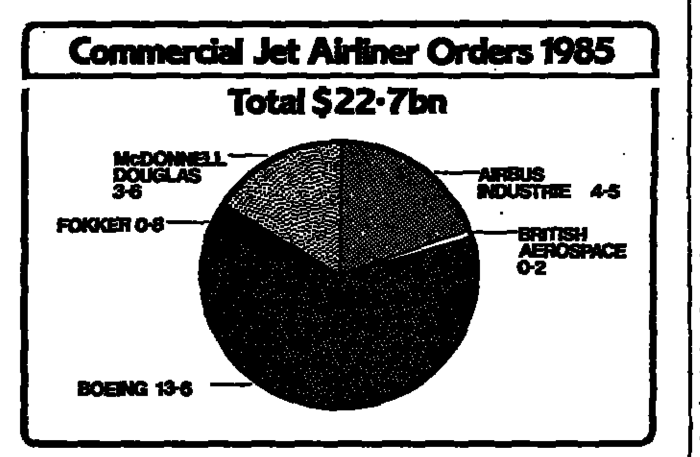
Executives believe that Aerospatiale will be able to raise funds for Airbus on the capital markets.

All these manoeuvrings are taking place as Airbus digests the uncomfortable consequences of Boeing's overwhelming superiority on the key US and Japanese markets.

Boeing has admitted the three Japanese companies as 15 per cent risk-sharing partners in its 767 programme. Close links with Japanese groups, which also extend into subcontracting work on other programmes, as well as the political necessity of lowering Japan's huge trade surplus with the US, have been important factors behind recent Boeing successes in Japan.

Airbus shareholders have decided to open up to 20 per cent participation in future projects to aerospace companies outside the shareholder group. These could include the Italian group Aeritalia.

Asked about the possibility of Japanese or even US participation, Mr Pierson says that he is not excluding any company that wants to take part.



Speech by Suharto puzzles diplomats

By Chris Sherwell in Singapore

WESTERN DIPLOMATS and businessmen are puzzling over the foreign trade implications of President Suharto's announcement this week that Indonesia would undertake no new development projects in the fiscal year which begins this April.

The announcement, part of a tough austerity budget caused by falling oil revenues, has raised questions about the priority list of projects finalised last year which the Government is ready to see funded by about $1bn in export credits.

The President's statement also seems to complicate unfinished negotiations for sizeable soft loan packages being offered to Indonesia by several European governments to finance other projects not on the list.

Britain, France, West Germany, Italy and others—all small aid donors compared to the World Bank, Japan and the US—are keen to give attractive loans amounting to hundreds of millions of dollars for such projects because they would provide welcome business for their own contractors.

Negotiations have recently become bogged down, however, over the terms. A "presidential instruction" in October 1984, which created the priority list idea in order to limit Indonesia's foreign borrowings, stated specifically that concessionary loans for other projects should cover 100 per cent of their cost and be repayable over 25 years with seven years' grace at 3½ per cent interest.

Countries such as Britain find these conditions hard to meet, particularly the interest rate terms. For its part, Indonesia does not wish to take on extra obligations in an alternative low-interest-rate currency such as the yen because of the amounts it already receives from Japan.

The Government is believed to want to stick to the terms of the presidential instruction, which means that both Indonesia and Western governments could suffer if no soft loan agreements were concluded.

Pechiney in link-up

PECHINEY, the French state-owned steel manufacturer, is set to sign a joint venture with the Japanese company Kawasaki Steel, Reuter reports.

The company yesterday confirmed reports that it would contribute magnet technology to the venture.

Siemens deal marks breakthrough in US telecoms market

BY JOHN DAVIES IN FRANKFURT

SIEMENS, the West German electrical concern, has made a breakthrough in the US telecommunications market by gaining an order to supply a digital telephone exchange to the Bell regional operating company in Wisconsin.

The order is small but significant, because Siemens says it has become the first European manufacturer to supply such equipment to a US telephone company.

Siemens reached a framework agreement with Wisconsin Bell last September, envisaging the supply of equipment over three years. The first specific order to flow from this is a public telephone exchange with 4,200 lines for the town of Sheboygan Falls on Lake Michigan.

The Siemens EWSD digital switching system will be installed at Sheboygan Falls at the beginning of next year.

At some stage in the future, Wisconsin Bell will convert the system to serve as part of an integrated services digital network (ISDN) for simultaneous voice, video, text and data transmission.

Siemens has declined to disclose the value of the first order or of other orders expected to flow from the Wisconsin Bell agreement.

The Munich-based concern is hoping for orders from other telephone operating companies in the US, the world's biggest market for telecommunications equipment.

Siemens and other major European telecommunications equipment manufacturers have been lobbying hard in the US since deregulation of US telecommunications opened up opportunities for outside suppliers.

The European manufacturers are coming under increasing pressure because of rising development costs associated with the supply of sophisticated public telephone switching systems.

This is leading on one hand to efforts to collaborate in research, and on the other hand to a scramble for foreign markets, including the potentially lucrative US.

Siemens has set high priority on extending its telecommunications business to the US.

Export finance rates cut

THE minimum concessionary rates at which the richer countries are supposed to lend export finance to the poorer are to be reduced by just over one percentage point next week, the Organisation for Economic Co-operation and Development announced in Paris yesterday, our Trade Editor writes.

The rates, under the gentlemen's agreement known as the Consensus, refer to longer-term fixed-interest finance which is supported by government or quasi-state agencies.

Loans of two to five years will be charged at 10.95 per cent for relatively rich countries (compared with the present rate of 12 per cent); at 9.65 per cent for "intermediate" borrowers (10.7 per cent); and at 8.80 per cent (9.85 per cent) for poor countries.

The respective rates for credits of five years and more are cut to 11.20 per cent (12.25 per cent), 10.85 per cent (11.9 per cent), and 8.80 per cent (9.85 per cent).

EEC re-imposes imports duty

The EEC Commission yesterday reimposed a 12.5 per cent import duty on high-density polyethylene imports from the Gulf, AP reports from Brussels.

This is the second time in a week that Brussels has renewed such duties on polyethylene imports from the six nations of the Gulf Cooperation Council.

The duty was reimposed because imports of high-density polyethylene exceeded an Ecu 8m (£4.96m) duty-free ceiling set for 1986.

On Monday, the EEC re-imposed a 12.5 per cent duty on imports of linear polyethylene from the Gulf nations for exceeding a duty-free ceiling.

Aid for Peugeot

Spain's Industry Ministry has agreed a Pta 6bn (£27m) aid package for Peugeot's local subsidiary to help finance its restructuring programme, Reuter in Madrid quoted the Ministry as saying.

About half the amount will be in the form of direct subsidies, accounting for 15 per cent of Peugeot's proposed capital outlay in its two Spanish affiliates

Foreign car sales in Japan increase by 19.5%

BY JUREK MARTIN IN TOKYO

FOREIGN CAR sales in Japan last year rose steadily to the second highest level on record, but still amounted to less than 1 per cent of the total domestic car market. West German manufacturers topped the sales league.

Figures released by the Japan Automobile Importers' Association showed that 50,172 imported vehicles were sold, 19.5 per cent up on the 41,982 of 1984. The peak, in 1979, was 60,161 units.

Perspective is provided, however, by the fact that the Japanese bought 5.5m cars last year, including imports.

The imported figures do not include sales of the VW Santana produced jointly in Japan by Nissan and the West German company. Up until November last year, only 11,609 of these vehicles had been sold. This is well under the 17,410 of the 11 selling months of 1984—the model was introduced in February of that year.

West German producers, who have invested heavily in Japanese marketing and advertising, sold 40,157 units, 23.1 per cent above the 32,634 of 1984.

Of the individual West German manufacturers, VW continued to lead with 12,987 cars sold, up 26.8 per cent, followed by BMW (11,766, up 32.9 per cent), Mercedes Benz (9,191, up 22.8 per cent) and Audi (5,591, only 19 more cars than in 1984).

Britain held second place in the national manufacturing league, with 2,513 vehicles sold, 10.8 per cent up on the previous year.

The Mini, with sales of 1,626 cars, 5.1 per cent up, remained the staple. Jaguar sales increased fractionally to 426 units from 414, while Rolls-Royce continued its stately advance to 74 units, three more than in 1984.

Italian sales came to 2,492, an increase of 11.2 per cent, while those of Swedish manufacturers rose in aggregate by the highest percentage, 36.4 per cent, to 2,033 vehicles.

Once again, however, US cars had a bad year, with sales of only 1,816 units, 23.8 per cent below 1984 levels.

Italian engine group wins L130bn Tunisian contract

BY IAN RODGER

LOMBARDINI, the Italian Diesel engine group, has won a L130bn (£53.8m) contract to build an engine plant in Tunisia.

The plant, which is to be located at Sakiet Sidi Youssef near the Algerian border, will be owned by Sakmo, a new company jointly owned by Algerian and Tunisian public sector groups. The plant will produce engines of 10 horse-power to 40 hp to be used mainly in agricultural machinery and construction equipment. It will have a capacity of 35,000 engines a year.

The project is being financed with a combination of aid and loans from Italian banks

Lombardini, one of the world's leading producers of small horsepower Diesels, said the order consisted of L60bn for component parts, L57bn for machines and buildings, and L13bn for services, know-how, engineering, personnel training and technical assistance.

Production is to begin in 1988 and the plant will employ up to 600 people.

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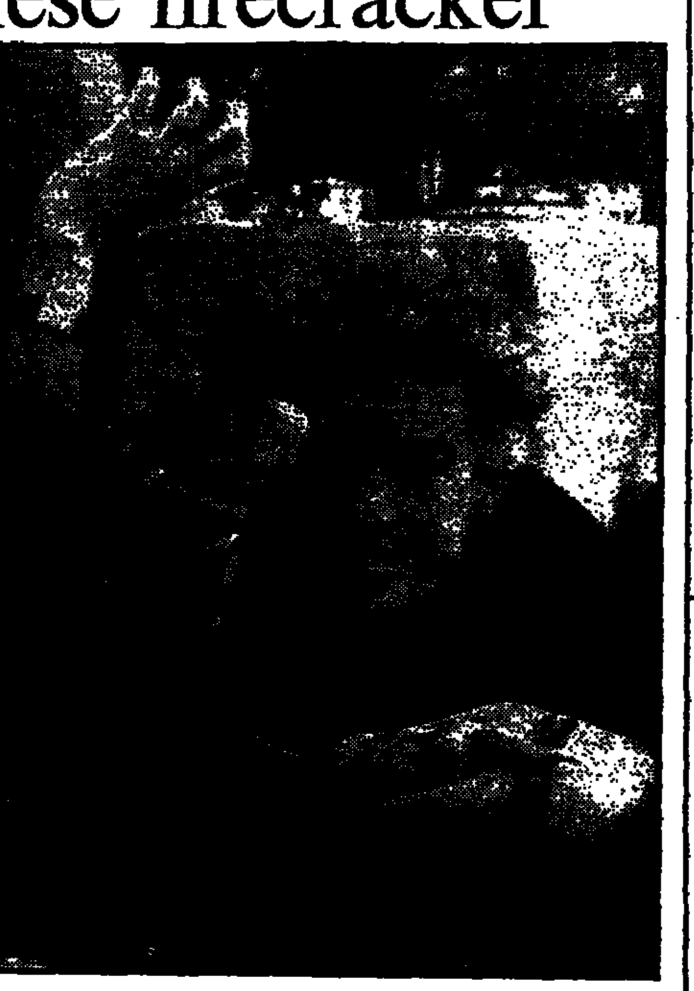
THE ARTS

Cinema/Nigel Andrews

Cimino's Chinese firecracker

Blane Savage (left), Alyson Reed and Justin Ross in "A Chorus Line"



Mickey Rourke and Ariane in "Year of the Dragon"

Year of the Dragon directed by Michael Cimino
A Chorus Line directed by Richard Attenborough
Orion's Belt directed by Ola Solum
Black Narcissus directed by Michael Powell and Emeric Pressburger
Peppermint Freedom directed by Marianne Rosenbaum

Ambivalence can be one of the glories of great art. Yet, as the American reviews for Michael Cimino's *Year of the Dragon* have shown, nothing makes some critics madder than being unable to put a label on a movie.

Is the film's hero (Mickey Rourke), a highly decorated cop who runs around New York's Chinatown trying to clean it up using his automatic as scouring pad and saying things like "This is Vietnam all over again," a racist or not? His girl friend (a Chinese-American TV reporter) says yes, he will not confirm or deny. Is the *film* racist or not? Critics say yes, Cimino says no.

And so the merry day wears on. (For my opinion, keep reading.) *Year of the Dragon* is rich in ambivalences: the kind that set America on its ears over Cimino's *Heaven's Gate* because no critics could decide, in a swirl of stories and characters packing a multi-ethnic canvas who were the good guys and who the bad. The same critics applaud the idiot simplicities of *Pale Rider* with "Ah! Mythic!" because they cannot distinguish between archetypes and stereotypes, genuine grandeur and jumped-up gung-ho.

Not—Heaven forbid that those already lobbying for my committal over my enthusiasm for Cimino should have fresh ammunition—that *Year of the Dragon* is great art. Indeed it bears strong marks of being a commercial assignment accepted for purposes of career re-entry: turning Robert Daley's pulp best-seller about Chinatown wars into 2¼ hours of visual and aural pyrotechnics.

As Captain Stan White (Mickey Rourke) declares war on the Chinese mafia and its new boss (John Lone), he must blast his way through the rule book tut-tuttings or bribe-pocketing obstructions of his police pals, the tendency of Chinese restaurants to explode with gunmen before he has had time to order Menu D, the disintegration of his marriage, and the slurs of "racist" from his girl-friend (Ariane), who makes love with hi min a huge-windowed luxury pad that by my estimate would cost £1,000 a week merely for its view of Manhattan.

We have seen most of these components before in police yarns. But when did a film ever roar away from its clichés like this? Trying to hamper Cimino with bits of hokum is like tying tin cans to a Formula One racing car and expecting it to slow it down.

Cimino makes White, played with powderkeg volatility by Rourke, a multi-faceted human being, not a label on two legs. Yes, he does have a racist streak. He *is* also a bizarrely captivating blend of frontier heroism, bloody-mindedness and premature white hairs in the cause of duty, both on the home front and in South-East Asia. For *Year of the Dragon* is about an American still wearing Vietnam as its spiritual albatross: that most ambivalent of all wars which was at once cruel, quixotic, racist, heroic, wrongheaded, idealistic and tragic.

There is no ambivalence about the film's visual and dramatic richness. Cimino has shot virtually the whole movie with a wide-angle lens—giving it a curved, panoramic, "espic" look—and the colours and textures of his (studio-built) Chinatown are dazzling. So is Cimino's ability to use imagery to give a poetic edge to dialogue scenes. A wife breaks down in a dingy living room with only a red straw hat hanging mockingly on the wall behind her. A scene in a police office, in which murky deals are revealed, *is* lit with the sickly, flickering light from a fishtank.

Year of the Dragon is maddening, multi-meaning and mesmeric: the work of a remarkable film-maker, back in business after six years in which Hollywood seemed a duller, more trivial place without him.

*

There are seldom any ambivalences in Richard Attenborough's films. Like a Christmas cracker, almost every movie comes with a message inside. But in *A Chorus Line* there should surely have been a funny hat and streamer as well? Or at least a sense of showbiz vitality teetering on the edge of the abyss, as our 20-odd Broadway auditionees perform their party pieces and confessional impromptus before the tyrannical director (Michael Douglas), casting the chorus for a new musical, who will make or break their dreams.

On stage, *A Chorus Line* found its electricity in the competitive theme. Here were the starry-eyed hopefuls, each hoping the others would break a leg in the stampede to fame, and the show's choric leitmotif was "Oh God, I need this job."

Now what does Sir Dickie do? Lo, he has brought the missionary altruism of *Gandhi* unto the Great White Way. Gone is the sense of contest, let alone cut-throat rivalry. As each hoofer or singer does his solo, the rest stand like an identity parade the length of the wide screen, smiling or smirking or nodding in admiring asides to their neighbours. It is more like meet-the-glee-club than "Oh God, I need this job."

Mercifully, the more the film progresses, the more some individual numbers are picked out by lighting or camerawork. And visual inspiration strikes at least once. When the Hispanic girl Morales sings of how she "prayed for guidance," Attenborough films her from the side with a Baroque-style theatre box as background, brilliantly conjuring a "church" from architectural coincidence.

He must also be cheered for avoiding what might have been the ghastly solecism of "opening out" the musical into fresh-air subplots or flashbacks. *A Chorus Linet* needs is claustrophobia as much as Dietrich needs her furs.

But that negative virtue is supplemented by too few positive ones. The choreography is glorified aerobics à la "Kids from Fame." The best numbers —Kiss Today Goodbye" and "One Singular Sensation"— are disappointingly underwhelming. And the multiplication finale, when the camera pulls back from a small knot of gilded dancers to reveal the whole cast massing the stage in fantassy Broadway triumph, takes an idea from an earlier Atenborough movie (the multiplying crosses that ended *Oh What a Lovely War*) trivialises misapplies it. For the whole point of *A Chorus Line* is Keen-edged, competitive *subtraction*. It is like ending *Hamlet* with a fantasy scene in which all the corpses jump up and belt out a consolation soliloquy.

*

Elsewhere this week, you may stumble upon a lively Cold War thriller from Norway, a Himalayan-set melodrama from Britain and a film about growing up from Germany. In *Orion's Belt*, the crew of a salvage boat on a dubious mission find a Russian listening post on a "deserted" island. The Russians pursue them with boats, choppers, bombs and Kalashnikovs, and you will find out what happens if you stumble upon a remote filmgoing post in Tottenham Court Road or Chelsea. A watchable, well-turned adventure.

Black Narcissus is Michael Powell and Emeric Pressburger's 1947 tale of sacred and profane love in a Himalayan nunnery and of sensational production design in a British studio, where the whole film was shot. Deborah Kerr, Jean Simmons and Sabu star, but Kathleen as an excitable young nun, who finds the religious calling as vertiginous as the nunnery's clifftop location, steals the movie.

I wish someone would steal Marianne Rosenbaum's *Peppermint Freedom*, an art movie with agitprop trimmings from West Germany. Set in 1945, and shot in holocaust monochrome as if by a demented Berman student, it relates the tale of a little girl (Saskia Tyroller) in the American Zone whose country is freed but whose mind is, yes, colonised by the Allied victory. All that chewing gum, chocolate and cheap music—tsk! tsk!—and Peter Fonda as a randy GI. It fair makes you yearn for Uncle Joe Stalin, does it not?

Not with messages semaphored as crudely as this, it does not. Praise Marx and pass the waste paper basket.

José Feghali/Elizabeth Hall

Dominic Gill

The 24-year-old Brazilian pianist José Feghali, who was the protagonist of Ian Rodger's article "The music makers" in last Saturday's Weekend FT, won the Van Cliburn piano competition last June, and his subsequent recital appearances in the US was variously greeted by the critics — in Chicago, with characteristic hyperbole, as the natural successor to Emil Gilels, an immense talent with a "natural flair for stage communication"; but by the New York Times, more dourly, as "a skilled orator without a topic" who was "neither intellectually nor spiritually equipped for the spotlight into which he has been cast."

New York, as it happens, hit the nail fair and square. For Feghali is a typical competition winner, a typical product of the competition machine: a golden boy of the keyboard, equipped with a superb technique, obedient, malleable. The performances he gave at his South Bank recital on Wednesday night were the performances of one who will play, nearly note-perfect, exactly what he has been told to play, exactly as he has been told to play it—the average music teacher's (and by extension therefore the average competition juror's) dream. But there was very little evidence, on the other hand, that he has a single truly original musical thought in his heart or head.

His programme began with Haydn's late E flat sonata and ended with Schumann's *Carnaval*, touching meanwhile on Villa-Lobos (the *Bachianas Brasileiras* no 4) and Chopin (the F minor *Fantaisie*). Feghali uses two, and just two, expressive modes: tender, wistful, pretty and excitable, forthright. His Haydn was composed mainly of the first mode, which alone made the performance uncommonly lightweight; but the manner itself, in either mode, is quite remarkably bland—so that one of Haydn's greatest and most inventive keyboard works was made to seem, though all the notes were correct and present, almost entirely uneventful.

Of the technical accomplishment there was no doubt: but there was virtually nothing beyond it. His Villa-Lobos, like his Schumann, was the fleet-fingered interpretation of an exceptionally talented student who has over-practised the music out of existence. Even deep down, as Dorothy Parker once said, it was superficial. His Chopin was the least faceless (although the face was surely not Feghali's), and contained some beautiful things, delivered with confidence and command — especially some nearly carbon-copy Horowitz phrasing. But there was still a far more powerful sense of a lesson brilliantly learned than of an urgent, original musical presence.

The Nutcracker/Festival Hall

Clement Crisp

The holiday season would not, I suppose, be itself without Festival Ballet doing its duty by Chaikovsky, snowflakes and sweetmeats on the South Bank. This year, as every year, the sacred rites are taking place, though I must observe that the present Ronald Hynd production has a distinctly careworn air, and certain of the interpretations in the party scene are more cursory than credible. And were Good King Herold still a power in the land, some of the tots—notably one superannuated youth and the supercute Clara of Wednesday evening—would be speedily dealt with.

But the company's myriad fans, treading their way through the detritus of dance paintings and bizarre sculpture that are an added hazard to the Festival Hall, find what they expect and want in the performance: undemanding and amiable activities to familiar music.

The interest of the evening lay in the appearance of Elaine McDonald, Scottish Ballet's star, as a guest ballerina, partnered by Raymond Smith. Miss McDonald surmounts all the predictabilities of the staging through a sincerity and integrity that have ever distinguished her work. Here is a heroine who imbues her role with such innocent delight that the drama seems fresh, and little things—a tender glance to her lover; a brief scene with her mother—acquire a gentle, penetrating truth. In matter of dancing, she brought off the last pas de deux with the same charm, easy in phrasing, light in step and accent. Hers is not a style for bravura, but the characterisation is attractive, and so is the dance.

The partnership with Raymond Smith, a clean and well-mannered dancer, had its uneven moments—he could with advantage show off his ballerina with more panache—but the emotional and dramatic intelligence of their joint performance was everywhere convincing.

For the rest, be it said that Festival's dancers—who have been diving through these flaming paper hoops for the past two weeks, twice a day—bear up wonderfully well in such display pieces as the Snow and Flower waltzes, which looked unhackneyed and well-disciplined. They deserve our thanks.

Arts Week

F	S	Su	M	Tu	W	Th
10	11	12	13	14	15	16

Opera and Ballet

NEW YORK

New York City Ballet (NY State Theater): The repertory of mixed programmes includes this week Donizetti Variations, Ballo della Regina and The Cage. Lincoln Center (870 5570).

Metropolitan Opera (Opera House): Romeo et Juliette joins the repertory with Catherine Malfitano and Neil Shicoff in the title roles, conducted by Sylvain Cambreling. The week also features Lohengrin conducted by James Levine with Eva Marton, along with the last seasonal performance of Jenufa conducted by Vaclav Neumann with Roberta Alexander, Mignon Dunn and Timothy Jenkins, and L'Italiana in Algeri conducted by James Levine with Marilyn Horne. Lincoln Center (362 6000).

WASHINGTON

Washington Opera (Terrace): Daughter of the Regiment conducted by Joseph Rescigno with Eric Mills, François Loup and Joyce Castle plays in repertory with Christopher Columbus, conducted by Randolph Mauldin with David Eisler, Elaine Bonazzi and Karen Hunt, in Roman Terleckyj's new production. Both are sung in English. Ends Feb 2. Kennedy Center (422 8700).

PARIS

Spectacle Groep (Groupe de Recherche Choreographique de l'Opéra de Paris) presents, as its name suggests, contemporary tendencies expressed in the abstract choreography of Verret, Garnier and Pare at the Opéra Comique (42 96 06 11).

Black and Blue. A swinging black revue brings back the mood of the 1920s with melodies by Louis Armstrong, Duke Ellington, Fats Waller at the TMP-Châtelet (42 33 00 00).

Ballet Slask is followed by the Nightingale danced by the Compagnie Chopinot at the Théâtre des Champs-Elysées (47 23 47 77).

WEST GERMANY

Frankfurt, Opera: Louis Quilico repeats his much-praised performance in the title role in Falstaff. La Bohème has guest singers Alida Ferrarini and Alberto Cupido. Hoffmanns Erzählungen is a Herbert Wernicke production. Also offered, Eugen Onegin and Die verkaufte Braut. (25 62 1).

Hamburg, Staatsoper: Carmen has Alicia Nafe in the title role. Il Barbiere di Siviglia, sung in Italian, features Rachel Joselson, Olive Fredricks and Richard Curtin. Lohengrin brings together Eva Randova, Rene Kollo and Kurt Moll. (35 11 51).

Cologne Opera: Elektra features Helga Dornesch, Gwyneth Jones, and Harald Stamm. Ein Maskenball has Giacomo Aragall, Livia Budai and Stefka Evstatieva. (20 761).

Stuttgart. Württembergisches Staatstheater: the new Fidelio production by the Russian Jurij Ljubimow includes Jeannine Altmeyer, Raili Viljakainen and Tony Krämer. Also Don Giovanni and Idomeneo (20 3 21).

München, Bayerische Staatsoper: This week's highlight is Tosca with Natalia Troitskaya and Giacomo Aragall alternating with Jose Carreras. Arabella brings together Marjana Lipovsek, Lucia Popp and Wolfgang Brendel. Hindemith's rarely played Cardillac is a Jean-Pierre Ponnelle production. It is conducted by Wolfgang Sawallisch. Madame Butterfly has Teresa Zylis-Gara excelling in the title role. (21 851).

NETHERLANDS

Amsterdam, Stadsschouwburg. A new Netherlands Opera production of Turandot with Cristina Deutekom in the title role. Directed by Dieter Bülter-Marell, with the Netherlands Philharmonic and choirs conducted by Christian Badea, and dancers from the National Ballet (Wed). (24 23 11).

Scheveningen, Circus Theatre. The Nederlands Theatre with the premiere of Sinaphai by Nacho Duato to music by Xenakis and Vangelis, and Hans van Manen's Ballet scenes and Jiri Kylian's Lieder eines fahrenden Gesellen (Mahler). (Thur). (55 88 00).

Nijmegen, Schouwburg. National Ballet of Senegal (Tue). (22 11 00).

Music

WEST GERMANY

Frankfurt, Alte Oper: New York Orpheus Chamber Orchestra with Carol Dawn Reinhart, trumpet. Rossini, Haydn, Schubert and Schoenberg (Thur).

Berlin, Philharmonie: Berlin Philharmonic Orchestra, conducted by Bernhard Haitink. Brahms, Haydn and Bartok (Wed, Thur).

NETHERLANDS

The Hague, Congresgebouw. Netherlands Chamber Orchestra conducted by Lev Markiz, with soloists. Janacek, Shostakovich, Smirnoff, Tchaikovsky (Mon). (54 80 00).

Amsterdam, Concertgebouw. Emmanuel Krivine conducting the Netherlands Philharmonic, with Stephen Bishop-Kovacevich, piano. Mozart, Mussorgsky/Ravel (Mon, Tue). Recital Hall: Raphael Quartet with Vovka Ashkenazy, piano. Mozart (Mon); Elly Ameling, soprano, accompanied by Rudolf Jansen. Fauré, Wolf (Tue); Lunchtime recital by Roeland Duijne, cello, and Marius van Paassen, piano (Wed); Baroque piano works performed by Glen Wilson. Eckhardt, Duphly, Schubert, Balbastre, Mozart (Wed); The Blaue Reiter ensemble with Calron McFadden, soprano, and Mildred Aikems, contralto. Zagwijn, Smit, Verhaar, Van Gilse (Thur). (71 83 45).

Utrecht, Muziekcentrum Vredenburg. Traditional music and song from India (Tue); Anton Kersjes conducting the Netherlands Student Orchestra, with Yvonne Schiffelers, mezzo. Meijering, Chausson, Mussorgsky/Ravel (Wed). Recital Hall: Electronic concert (Tue); Poems by Louis Aragon sung by Marc Ogeret (Wed); The Orlando Quartet. Haydn (Thur). (31 45 44).

Rotterdam, De Doelen. Arie Keijzer, organ, and Vaclav Novak, violin. Handel (Mon); The Rotterdam Philharmonic conducted by James Conlon, with Marien van Staalen, cello. Wagner, Schumann, Brahms (Tue, Wed, Thur). Recital Hall: The Philidor Ensemble. Boismortier, Fasch, Telemann, Monteclair, Handel (Mon). (14 29 11).

Maastricht, Staargebouw. Piano recital by Ingrid Haebler. Beethoven, Schubert, Mozart (Tue). (21 33 00).

Amsterdam, Meervaart. Piano recital by Karin Lechner (Wed). (10 73 93).

LONDON

Royal Philharmonic Orchestra conducted by Sir Charles Groves with Philip Fowke, piano. Sibelius, Rachmaninov and Dvořák. Barbican Hall (Mon). (638 8891).

Trio Atalanta: Shostakovich, Rachmaninov, Mendelssohn and Beethoven. Purcell Room (Mon). (928 3191).

Monteverdi Choir and Orchestra conducted by John Eliot Gardiner with Eiddwen Harrhy, soprano. Beethoven's Missa Solemnis. Queen Elizabeth Hall (Tue). (928 3191).

New Composition in the UK with Lysis. Purcell Room (Tue).

Simon Fischer, violin, and **Peter Evans,** piano. Messiaen, Bach, Fauré and Falla. Purcell Room (Wed).

BBC Symphony Orchestra conducted by David Atherton with John Lill, piano. Tchaikovsky and Rachmaninov. Barbican Hall (Wed).

Peter Frankl, piano, Gyorgy Pauk, violin, and Ralph Kirschbaum, cello. Beethoven. Purcell Room (Thur).

London Symphony Orchestra conducted by Gunther Herbig with Mayumi Fujikawa, violin. Mozart, Beethoven and Schubert. Barbican Hall (Thur).

PARIS

Academy of Saint Martin-in-the-Fields: Vivaldi, Britten, Mozart (Mon 8.30pm), Corelli, Mozart, Elgar, Bach (Tue 8.30pm). Théâtre de la Ville (42 74 22 77).

Jose Van Dam recital (Mon). Théâtre de l'Athenée (47 42 67 27).

Ensemble Orchestral de Paris: Jean-Pierre Wallez, violin, Pierre Barbizet, piano: Beethoven sonatas. (Mon, Thur). Salle Gaevau (45 63 20 30).

Orchestre National de France conducted by Thomas Fulton, Andrei Gavrilov, piano: Fauré, Ravel, Dutilleux (Thur). Salle Pleyel (45 61 06 30).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Klaus Tennstedt conducting. Mozart, Beethoven (Tue); Erich Leinsdorf conducting. Weber, Hindemith, Bruckner (Thur). Lincoln Center (874 2424).

Waverly Consort (Alice Tully Hall): All-Lassus programme (Thur). Lincoln Center (362 1911).

Kaufmann Hall: Chamber Music group conducted by Jaime Laredo. Beethoven, Moszkowski Berg (Tue, Wed). 1395 Lexington Av. (831 8803).

WASHINGTON

National Symphony (Concert Hall): Rafael Fruebeck de Burgos conducting. Piston, Bruckner (Tue); Rafael Fruebeck de Burgos conducting, Lambert Orkis piano. Reger, R. Strauss, Stravinsky (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Sir Georg Solti conducting. Siegfried Jerusalem, tenor, men of the Chicago Symphony Chorus. All-Liszt programme to commemorate the centenary of the composer's death (Thur). (435 8122).

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady, Beryl Reid rising inimitably above the material, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Jocelyn Herbert designs. (437 3686).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

Les Misérables (Palace): Notably well sung and spectacularly produced rock opera from the Nickleby and Cats team of Trevor Nunn, designer John Napier and lighting man David Hersey, Colm Wilkinson superb as Jean Valjean. A melodramatic distillation of Hugo, and none the worse for that. The French score is rousingly melodic, with serviceable new lyrics from Herbert Kretzmer. (437 6834)

Camille (Comedy): Pam Gems's rewrite gives Marguerite Gautier a child for whose future security she exchanges her own frail health and love. Don Daniels's studio RSC production does not transfer that well, but Frances Barber is an actress to watch. More coughing on stage than in the stalls, for a change. (930 2578).

NETHERLANDS

Amsterdam, Suikerhof Theatre (Prinsengracht 381). 'Songs to make you sing and jokes to make you weep' in an evening of Old Time Music Hall presented by the Hall family (Wed, Thur). (22 75 71).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

WASHINGTON

In Regard of Flight (Kreeger): Bill Irwin's theatrical spoof shows off the mime's talent in confronting a man-eating stage curtain and a disappearing shoe on the quest of a new theatrical genre. Ends Jan 12. Arena Stage (488 3300).

Restoration (Arena): Edward Bond's combination of contemporary politics and 18th-century high jinx with music by Nick Bicat is directed by Sharon Ott of the Berkeley Rep. (488 3300).

Exhibitions

PARIS

Old and new: State acquisitions over the last five years. The 240 exhibits range from an Egyptian pleureuse dating from 1800 BC to contemporary artists and comprise paintings, sculpture, pieces of furniture and objects d'art. Among the chef-d'oeuvres there is Vermeer's Astronomer, Frans Hals' Jester Playing The Lute as well as works by Manet, Monet and Seurat. Lucas Cranach's Melancholy comes from a provincial museum. Grand Palais. Ends Feb 3 (42 60 39 26)

David Hockney: With lithographs in crude blues, greens and reds Hockney creates the mood of eternal holidays. Surprisingly, artistic subtlety comes with his collages consisting of hundreds of photographs assembled slightly out of line. A chestnut tree, the Place Furstenberg acquire new poetry in a kaleidoscope-like vision. Galerie Claude Bernard, 7-9 rue des Beaux-Arts Ends Jan 15 (43 26 97 07).

Galle: The first retrospective in France in honour of one of the most important artists of Art Nouveau who successfully explored the sinuous line in ceramics, glass and cabinet making. Musée du Luxembourg, closed Mon, Thur late opening. Ends Feb 2 (42 34 25 95).

WEST GERMANY

Düsseldorf, Kunsthalle Grabbeplatz Joel Shapiro: First stop for an exhibition covering 80 abstract sculptures and paintings by the American artist in the last nine years. Ends Jan 19.

Munich: Haus der Kunst, Prinzregentenstr. 1: Karl Spitzweg (1808–1885): 500 drawings and paintings with 70 cartoons from four artists, among them Daumier, Doré, Gavarni and Grandville. Ends Feb.

Berlin, Bauhaus-Archiv, Kingelhöferstrasse 14: Walter Gropius, "The Architect and Designer." An exhibition of paintings, constructions, designs and furniture by Gropius. Ends Feb 2.

ITALY

Venice: Museo Correr (Ala Napoleonica): Folon: Over 200 works by the celebrated Belgian artist, among them 120 watercolours originally as illustrations to Apollinaire, Prevert, Boris Vian and others. A perverse but gentle painter with a seductive use of colour. Includes delightful watercolours of Venice. Ends Jan 19.

Milan: Palazzo Reale and Palazzo Bagatti Valsecchi: Edvard Munch (1863-1944): A large retrospective show by the Norwegian forerunner of the expressionists. An extraordinary conveyor of pain and anguish. Most of the paintings are from the Munch Museum in Oslo. Until March 12.

Rome: Palazzo Venezia: "English Caricature, from Hogarth to Cruikshank". 114 engravings from the Sprovieri collection bearing witness to the extraordinary freedom of speech enjoyed in England in these years (1740-1840). Nobody is spared: the Royal Family, the Government, the Church, the army or the aristocracy. The exhibition is sponsored by the British Council. Until Jan. 30.

SPAIN

Madrid, Repetitive Structures. 22 works by 21 artists on loan from Ludwig Museum in Cologne, among them, Andre, Judd, Lewitt and Morris engaged in the Minimal movement and Andy Warhol, Lichtenstein und Dine in the Pop Art. Interesting mix of styles and trends. Fundacion Juan March, Castello 77. Ends Feb 16.

Madrid, 100 Masterpieces of Portugal. First of its kind from neighbouring country gives a good retrospective of Portugal's works produced between 12th century and today. On loan from museums, churches, palaces and foundations like the Gulbenkian. Centro Cultural Conde Duque, Conde Duque 9-11. Ends Jan 12.

Madrid, Enzo Cucchi. A selection of artist's drawings and paintings of the past 16 months. One of the top international plastic painters of the 1980s. This show goes on to Bordeaux, New York and Paris. Fundacion Caja de Pensiones, Serrano 60, Madrid, Ends Feb 2.

Madrid, Retrospective of Jose Ocana (1947-1983). More than 250 paintings showing two stages of his short painting life: the first, dark and pessimistic of Spanish rural life and the second characterised by lively colours in a naif style. Museo Espanol de Arte Contemporaneo-Meac, Avenida Juan Herrera. Ends Jan 20.

VIENNA

Kandinsky in Paris 1934-1944: An extensive collection of oil paintings, gouaches, watercolours and photographs from the last 10 years of Kandinsky's life, organised by the Guggenheim Museum, New York. It shows the culmination of his development as pioneer of abstract art, his earlier dramatic exuberance giving way to a more refined style with softer pastels and monochrome colours, but the dynamism remains. In sections on Black Backgrounds and Concrete Art Kandinsky's works are brilliantly complemented by those of Klee, Mondrian, Arp, Miro and Picasso, showing his influence on a generation of European abstract artists. 20th Century Museum. Ends Jan 26.

George Grosz, The Berlin Years (1912-1933): A collection of caricatures of life in Weimar Germany from the First World War to Nazism. Grosz, a committed socialist and celebrated draughtsman, produced powerful caricatures of establishment figures from the church, the Government and the financial world who are portrayed as brutal, pompous and stupid, amid vaguely threatening scenes of urban decay. His images may shock but his stark and realistic style conveys a powerful impression of a turbulent period in Germany's history. At the Twentieth Century Museum until Jan 21.

NEW YORK

Guggenheim Museum: 55 major sculptors of the 20th century, including Giacometti, Nevelson, and Johns, are part of the theme Transformations In Sculpture, meant to cover pop art, minimalism and Arte Povera, among other movements of the past 40 years. Ends Feb 16.

Pierpont Morgan Library: 200 British photographs from the Victoria & Albert Museum cover Fox Talbot to Julia Margaret Cameron and Lewis Carroll among the earliest practitioners in the years from 1839 to 1900. 36th St & Madison Av. Ends Feb 2.

Metropolitan Museum: Liechtenstein, the Princely Collection, one of the greatest private collections in Europe, shows a variety of the holdings, like a French Rococo carriage, firearms, sculpture and a hundred paintings, including 19 Rubens, 5 Van Dycks, and 8 Franceschinis. Ends May 1.

WASHINGTON

National Gallery: The Treasure Houses of Britain collects 700 objects from 200 stately homes in a show mounted and decorated to look like the quintessential stately home, with paintings by Holbein, Rubens, Van Dyck, Hogarth and Turner among many others, as well as Chippendale furniture, Meissen and Sèvres porcelain and tapestry, jewellery and armour. Ends Mar 9.

National Museum of American Art: 73 works of New Zealand Maori artists show the mixture of religious, symbolic and artistic traditions in feather capes, ceramic vessels, carved and painted gourds and woven hangings using native materials. Ends March 9. Renwick Gallery.

هكذا من الأصل

The Harvard Business School faculty is searching for 70 world-class managers to discuss worldbusiness in Boston, U.S.A.

Nonstop, for 8 weeks.

Today new business practices are penetrating international boundaries with increasing ease and speed, outdating many of the tactics of multinationalism creating the need to make international business decisions with a view to world oneness. Many have called this new perspective worldbusiness.

This coming Spring, when the dogwood trees are in bloom, 70 people will gather on the campus of the Harvard Business School. A few, perhaps five or six, will be Americans. The remainder will be drawn here from every corner of the world. All will be senior managers, veteran world-class managers destined by their companies for more crucial, more demanding jobs.

They will be met by six Harvard professors, renowned scholars whose names you know, whose books you've read, whose combined teaching experience at Harvard exceeds 100 years.

And these 76 people, managers and professors, will form International SMP–1986, the Harvard Business School's once-a-year, eight-week International Senior Managers Program. This program (1) studies the practice of general management in an international environment, and (2) develops the international awareness of general managers, making them especially competent to handle problems and opportunities occasioned by increasing world accessibility.

It's general management with the world in mind. For short, worldbusiness.

How to choose a worldbusiness manager.

Worldbusiness stakes are high. The manager you choose to send here will be one of your very best. He, or she, will be innovative and insightful. He will have the courage to make important decisions and the determination to see them through. Typically he will have 20 or more years of business experience. He is a top line or staff manager destined for a general management job. Or a general manager elected to govern a division, a region, a country. Send us this manager and you can expect a substantial return.

What a worldbusiness manager can do for you.

The manager who returns to your company will have worked long hours for eight busy weeks, but he will return to you rejuvenated. He will see your company with a new worldbusiness perspective, evaluate your prospects and products with a world's-eye view. He will have filled any gaps in his general management curriculum, and expanded his vision of what general managers do. He will return confident, competent, an energized leader superbly equipped to project the enterprise of your company in the world.

There's more. He will return with a first-hand understanding of realworld problems gained from close association with professional managers like himself. Managers from companies with similar problems, like opportunities, comparable goals. Managers he has lived with, dined with, studied with, argued worldbusiness with for hours on end. Managers filling important posts across the face of the earth, but also friends, classmates, intimates who are but a phone call away.

And there's still more. During eight weeks a lively market springs up between faculty and managers. Managers bring to this market the realworld experiences of their own countries, their companies and functions; professors clarify these experiences with their wholeworld theories and overviews. The program is specifically organized to promote this valuable trade–in class and after class, with one-on-one conferences, at lunches and at dinners.

It's a lot to expect from an eight-week program. But we have the wherewithal to make it happen.

"It's great to be part of a great university."

We have a tranquil environment, far removed from the pressure of business. We have unparalleled resources. Superlative teaching. A concentrated curriculum pursued at a pace vindicated only by the caliber of the people who come here. And a rigorous schedule (breakfast at 7:00 A.M.) that earmarks every hour in every six-day week.

We are located on the 61-acre Harvard Business School campus, a quiet, self-contained enclave on the outskirts of bustling Boston. Managers live in traditional halls of ivy, newly remodeled and air conditioned, in private rooms clustered around eight-person conference rooms, and with a spacious ground floor lounge. The dining room (the food is international and excellent) and the traditional Harvard amphitheater-styled classrooms are a few minutes away along tree-lined walks. The 500,000-volume Baker Library, the foremost business library of the world, is just steps from the dormitory.

In short, assembled on this historic campus is every facility, every business resource you could ask for. As one International SMP participant put it, "It's great to be part of a great university."

Our faculty have worked 50 years in Europe, Asia, The Middle East.

At the epicenter of the International SMP is its faculty. Six exceptionally qualified men are dedicated full time to the program. All have broad international experience. They have studied, taught, and researched extensively outside the U.S. All are Harvard worldbusiness veterans. Professor Uyterhoeven, at Harvard 26 years. Professor Salter, 19 years. Professor Piper, 16 years. Professors Heskett, Kotter and McFarlan add a total of 55 years more. All told, the experience of this Faculty totals 168 years, with 116 of those years spent at Harvard alone.

These men are researchers, innovators. They are creating the theories, strategies, and management tools that will pervade international management for years to come.

But these men are teachers, too. They have concentrated the fruits of their research in the curriculum of the International SMP. And they're here to discuss their researches, expound their theories, reveal their strategies, and distribute their new management tools to help your general manager and your company prosper in a changing world.

What every good general manager should know.

To manage a company you need a working knowledge of six fundamental subjects–finance, marketing and operations management, people management, control and management information systems, government, and general management itself. The International SMP internationalizes these subjects to give managers a worldbusiness view.

Each of these subjects is a tough nut to crack. Each is a career in itself. The general manager must not only understand each of them, but how all of them work together. The worldbusiness general manager must not only understand how all work together, but how they work together in an international environment. This degree of understanding normally requires years of experience in the practice of international general management.

The SMP case package. It's the next best thing to experience.

No less than 85 cases are studied during the International SMP program. No less than 85 slices of international business life are boiled down to extract their essence, to illustrate the interaction of fundamental subjects, to reveal how this interaction is further affected by international complications. The case package–including private study and analysis, small group conferences, and full-group class discussions–simulates experience in international general management no one man could amass in a lifetime.

What's more, these cases are also selected for their relevance to current business needs. About 10% examine external truths of our business heritage. Perhaps 15% explore the future. The remaining 75% deal with present-day reality, problems and opportunities your company has to consider here and now.

Probing the far frontiers of management.

While case studies command the center of the International SMP program, lectures and forums extend and round it out. Presented, too, are the discoveries of pathfinders exploring the far frontiers of general management, the sophisticated new techniques, tools, and game plans that will be understood by just a few for years to come. For example, the 1985 program included:

- The Forum on Technological Innovation and Entrepreneurship which brought the CEO of a leading high tech company to the classroom to reveal the strategies that launched and maintained his company as a world leader.
- A special session on current trends in antitrust legislation, taught by one of the foremost authorities on the subject at Harvard.
- The integration of marketing and operations management. One course addressing both functions, to develop managers who perceive the close relationship between these two fields.
- New breakthroughs in the competitive analysis of industries, revealed on the campus where the whole thing started.

Other programs at the Harvard Business School are designed to meet the needs of general managers. The Advanced Management Program (AMP) is a 13-week program designed, as is the International SMP, for accomplished managers who have achieved high-level positions. The Program for Management Development (PMD) is a 12-week program for exceptionally promising middle managers of proven ability.

But SMP is international and it is unique. Consider its length, intensity, level, comprehensiveness, environment, resources, aptness of participants, caliber of faculty and you'll conclude this has to be the foremost international management program in the world.

If you have a manager qualified for this program...

...we'll be happy to send you a prospectus describing the program in full. Decisions on completed applications will be made within two weeks of their receipt. The program itself begins May 25 and ends July 19, 1986. The cost is $19,500 which includes tuition, live-in arrangements, all books and written cases. Applicants must be able to read and speak English fluently, and typically will have 20 or more years of solid business experience. To maintain the program's international orientation, U.S. participants will be limited.

For a detailed prospectus of the 1986 International Senior Managers Program:
Telephone (617) 495-6398, Telex: 6714418XED F
Or Write:
Administrative Director
International Senior Managers Program
Glass Hall F Harvard Business School
Soldiers Field Road, Boston, MA 02163, USA

International Senior Managers Program
Harvard Business School

UK NEWS

Early decision expected on sale of water assets

BY RICHARD EVANS

PRIVATISATION of the UK water supply industry is now considered probable in the next parliamentary session. Some or all of the 10 authorities in England and Wales are expected to be sold off in their present form.

This is the formula suggested by Mr John Patten, the Department of the Environment Minister responsible for the industry, in an interview today in the industry's weekly magazine Water Bulletin.

A Government decision on whether to go ahead with privatisation is expected in about three weeks. It would be as controversial and as complex as any of the privatisation measures undertaken so far or planned.

The water authorities' assets were valued at £27bn by the Government in its discussion paper on privatisation published last April. In total this is far bigger than any privatisation attempted so far (British Telecom raised £3.9bn), but it might be decided to privatise only the more profitable authorities.

Mr Patten was careful to insist that no decision on the sale had yet been taken, but the tone of his comments suggested that ministers were likely to back a sale during the 1986-87 parliamentary session.

Legislation on privatisation could also include proposals for a trial on water metering. "Ideally, the two are pretty closely connected, and if one went ahead, with one, one would probably want to go ahead with the other at the same time," Mr Patten said.

On privatisation, Mr Patten said the Government was looking hard at what would be a very complex issue. "The two things that would be highest in our mind are... the consumer and how not just to protect but also to enhance the consumer's interests, and environmental protection and enhancement."

Collection of television licence fees may be put out to tender

BY RAYMOND SNODDY

THE BBC wants to privatise the system of collecting the television licence fee in an attempt to cut costs at present running at £52m a year.

It plans to tell the Peacock Committee examining the future financing of the BBC that it wants to see open competitive tenders for the work, which has traditionally been carried out solely by the Post Office.

Mr Geoff Buck, BBC director of finance, said the present system where the Post Office collected the fee on behalf of the Home Office on terms agreed between them "needs to be prised open."

There is no obvious sole replacement for the Post Office, but the BBC believes that building societies and banks might find that helping with licence fee collection proves attractive marginal business.

The BBC is clearly irritated that although these means have been available for more than three years, only 3 per cent of people have been persuaded to pay their licence fee by direct debit and 1.5 per cent by credit card.

"It ought to be tenfold greater if marketed properly and followed through," Mr Buck said. Apart from opening up the system to market forces, the corporation also wants a managerial responsibility for the process.

The proposal came yesterday as the BBC presented further detailed independent evidence in support of its main arguments to the Peacock Committee.

The submission argues that:

- The potential for a large expansion of advertising looks limited and uncertain.
- Programme sponsorship money would come at the expense of other UK arts bodies.
- Paying for television by subscription, although technically possible, would increase the cost of broadcasting and take up to seven years to implement nationally.
- Seventy-eight per cent of the public regard the licence fee as at least "reasonable value", although 20 per cent find the lump annual sum difficult to pay. The BBC is, however, seeking talks with the Independent Broadcasting Authority to see whether it is possible to have a joint approach on the principles and practices of television sponsorship.

One key issue is indirect sponsorship – the sponsoring of sports events, which are then televised, by organisations such as tobacco companies.

Spending stays at high pitch

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

RETAILERS ARE continuing to enjoy a buoyant level of consumer spending as the post-Christmas buying spree shows no sign of slowing. In London, Harrods, the House of Fraser store, started its bargain sale with record crowds.

A £30,000 Russian sable jacket reduced to £9,950 was sold within six minutes of the sale starting. More than 100,000 customers visited the store when the sale began on Wednesday. Takings exceeded £8m, a record for a single day. Other retailers across the country are experiencing a high level of spending in spite of the record level of pre-Christmas purchasing.

Mr Tom McNally, director general of the Retail Consortium, which represents most retailers, said: "Christmas was a very good time for Britain's retailers and there are no indications that the spending will come to a halt in the near future."

The sales surge appears to have benefited large multiple groups rather than small shops, which are finding it increasingly difficult to compete with retail chains.

The strength of spending has been helped by increased use of credit. American Express said use of its charge cards last month was about 35 per cent higher by value than in December 1984.

Access said its credit card turnover was 30 per cent higher last month. Barclaycard, speaking of similar buoyancy, said turnover in the three months to the end of January was expected to be more than £1.25bn.

The United Association for the Protection of Trade, Britain's largest credit reference agency, said the overall volume of credit searches for last month was about 9.3 per cent higher than in December 1984.

Selfridges, the London department store, which started its sale immediately after Christmas, said spending was very strong and sales were well ahead of last year, with double-figure increases.

NCB optimistic over fuel venture

BY MAURICE SAMUELSON

MR IAN MACGREGOR, National Coal Board (NCB) chairman, has claimed that the coal industry would again become a main transport fuel supplier as oil resources declined.

After the board's decision to begin work this month on its £35m petrol-from-coal plant next to Point of Ayr Colliery, Clwyd, North Wales, he said: "With lower-cost coal available in the UK, we can ensure that we will remain wholly or partly independent of imports when our North Sea oil and gas production starts to decline."

Using a process developed by NCB scientists, the pilot plant will process coal into a range of transport fuels.

It is only a tenth the size of the plant originally planned at the end of the 1970s, before oil prices stopped rising. At one point, after the withdrawal from the project of British Petroleum and Phillips, the board had considered shelving it.

The plant is intended to serve as a model for a full-scale commercial conversion plant, refining thousands of tonnes of coal a day, which might become feasible in the 1990s.

Mr MacGregor said the process at Point of Ayr was superior to that which South Africa uses to provide much of its petroleum. The NCB's liquefaction process had a 62 per cent efficiency compared with Sasol's 32 per cent.

Kodak to exchange instant cameras

EASTMAN KODAK, the world's largest photographic products group, is to offer exchanges to the owners of an estimated 1m instant cameras it has sold in Britain since 1977, Nick Bunker writes.

On Wednesday, Kodak finally lost a legal battle over its right to a share in the instant photography business. The US Supreme Court refused to lift an injunction permanently barring the group from making or selling instant cameras and film that infringed patents held by its rival Polaroid, the pioneer in the field.

Kodak's British subsidiary said yesterday that for the next few months it would continue to sell the cameras and film – which are manufactured solely in the US – until stocks are exhausted.

Meanwhile, it will begin offering customers other Kodak cameras in return for the instant models. Since Kodak instant cameras are not technically compatible with film made by Polaroid, they will be useless once Kodak has ceased production.

No decision has yet been made about the precise terms of the exchange arrangement. That is because of wide variations in the prices of different versions of Kodak instant cameras sold since they first went on the market nine years ago.

□ COMPANIES HOUSE, which maintains a register of company reports and accounts, has launched a campaign aimed at ensuring that companies file their data on time after two highly critical reports of its efficiency.

It has started a £10,000 advertising campaign reminding company boards and accountants that accounts for the year ended March 1985 should be filed by January 31.

It warns directors that they may face prosecution if they do not comply, and says it "is looking for the support of the accountancy profession in helping directors meet their obligations."

Companies House recently took on 100 extra staff in its Cardiff, London and Edinburgh offices to reduce the backlog of work.

□ GARDNER, the Manchester diesel engine maker, is expected to make a joint announcement with another company next week about a change of ownership.

Hawker Siddeley, Gardner's parent, is understood to have been in negotiations for the sale of the business, which employs 900 people making a range of diesels for bus, truck, marine and industrial applications.

Gardner has been seriously affected by the steep decline in UK bus and truck manufacturing. Its share of the UK market for diesels in tractors above 29 tonnes has reportedly fallen from 13 per cent to 2 per cent over the past decade.

□ DAIRY CREST, the Milk Marketing Board's manufacturing and commercial subsidiary, announced the closure of two of its oldest creameries, with a loss of 577 jobs.

The move, which forms part of Dairy Crest's modernisation programme, involves the company's cheese factory at Johnstown, West Wales, and its whey plant at Bason Bridge, Somerset. A further 70 jobs are to go with the modernisation of a creamery at Maelor, Clwyd, while more than 100 new jobs will be created at a cheese-packing plant at Hemel Hempstead, north of London.

UK NEWS

French worries grow on road-rail tunnel link

BY PAUL BETTS IN PARIS AND ANDREW FISHER IN LONDON

THE FRENCH Government is increasingly worried by Mr James Sherwood's Channel Expressway road and rail tunnel proposal for a fixed link between France and Britain.

The concern comes amid indications that the UK Government is trying to encourage some form of rapprochement between the three main rival schemes.

Sir Nigel Broackes, chairman of Trafalgar House, a member of the EuroRoute tunnel-and-bridge scheme, was yesterday called to see Mr Nicholas Ridley, Transport Secretary. Mr Sherwood, head of Sea Containers, which is behind Channel Expressway, saw him on Tuesday.

Channel Tunnel Group, which proposes a rail tunnel, said yesterday it would strongly oppose linking with the other groups. Mr Sherwood claimed this week that the £2.55bn Channel Expressway scheme had beaten the more costly EuroRoute scheme.

EuroRoute has countered with questions about the technical feasibility of Expressway. It now seems likely that the announcement to be made in Lille, northern France, on January 20, will fall short of approving one single project.

French government anxieties have been heightened by reports that the British Government appears to be looking in favour towards the Sherwood project. French government officials have been questioning Mr Sherwood's intentions, especially on account of his interest in British Ferries, a subsidiary of Sea Containers.

Britain has been leaning towards Mr Sherwood's solution because it offers a road as well as a rail link across the Channel at a much lower cost than the rival EuroRoute rail and road bridge and tunnel project.

However, the French Government continues to prefer the two main rivals to Channel Expressway including the Channel Tunnel Group-France Manche twin-bore rail tunnel scheme and EuroRoute. Both those projects include the participation of French industrial and banking groups, unlike Channel Expressway.

Mr Sherwood has recently enlisted in France the support of Screg, a large French public-works company in financial difficulty, and the Crédit du Nord banking group. But Channel Expressway has no other big French industrial partners at this stage, although it said yesterday that Elf Aquitaine would take an undisclosed equity stake.

Although the cost of the EuroRoute road and bridge scheme appears to have argued against that scheme in the UK, the French continue to look upon EuroRoute as a strong contender for the fixed link.

Apart from grouping big French industrial companies such as the GTM-Entreprise civil engineering concern, the Usinor steel company and the Alsthom heavy engineering and shipbuilding group, and leading banks such as Paribas and Société Générale, EuroRoute was the first serious project to have been put forward when it was conceived in the late 1970s by Mr Ian MacGregor, then chairman of British Steel, and Mr Jacques Mayoux, at the time head of the French Sacilor steel company and now chairman of Société Générale, the nationalised bank leading the French side of EuroRoute.

Because of the scale of the EuroRoute project, the cost of which is estimated at just under £5bn at 1985 prices, the French Government had originally envisaged some state financing to support the construction of a fixed link. State financing has always been favoured by France, but the Socialist Government agreed to the entirely private financing nature of the fixed link because of UK insistence.

For his part, Mr Jacques Mayoux says he has never argued for state financing and has always worked on the basis of an entirely privately financed project. Both EuroRoute and Channel Tunnel have drawn up private financing plans, which have met with the approval of French officials.

As in the case of EuroRoute, the French Government regards the Channel Tunnel Group-France Manche project as a serious contender because of the participation of big French public works groups such as Bouygues, Spie Batignolles and Dumez and a number of leading French banks.

"We are extremely worried by the lack of serious industrial partners in the Sherwood project," said a French government official yesterday.

Mr Nicholas Ridley, the British Transport Secretary, and Mr Jean Auroux, the French Transport Minister, are to meet in the UK in coming days for the second time this year to try to overcome the remaining obstacles to an agreement between the two countries on a fixed-link scheme. Mrs Margaret Thatcher and President Mitterrand are to announce the name of the winning project at Lille on January 20.

Andrew Fisher examines Britain's largest export order to China

Peking milestone for GEC Turbine

MR BOB DAVIDSON, the laconic 57-year old Scotsman who heads GEC Turbine Generators, returned to his office at Rugby, in the Midlands of England, last weekend, after his 29th visit to China. It was probably his happiest homecoming for six years.

For the painstaking efforts of Mr Davidson and his team, some of whom have spent much longer there, had been rewarded with a £250m order to supply equipment for a Chinese nuclear power station 30 miles from Hong Kong.

It has certainly been a long wait. Mr Davidson and his colleagues found negotiating in China arduous and time-consuming. The persistence of the Chinese resulted in a cut of some 20 per cent in the final price.

The result, however, is Britain's largest-ever export order from China. The memorandum of understanding signed in Peking last week should become a more binding letter of intent by March, with a final contract soon after.

GEC will supply two 985 MW turbine generators for the power plant at Daya Bay in the province of Guangdong, with Framatome of France providing the more costly reactors. The order puts GEC neck-and-neck with Mitsubishi of Japan in the export league for turbine generators.

The development of an export strategy had been crucial to the performance of GEC Turbine Generators, Mr Davidson, the managing director, emphasised. "In the last 10 years, we have had to go for exports to survive."

Thus the Chinese order is important to GEC Turbine – formed in 1969 from the operations of English Electric and Associated Electrical Industries – for several reasons, both commercial and technological:

● It maintains the impetus in the GEC subsidiary's order intake at a time when world turbine business is in a trough. GEC needs to win a sizable order each year to keep up the workload for its 6,900 workers in Rugby, Stafford, Manchester, and Larne in Northern Ireland.

The present GEC order book for turbine generators was just over £1bn in mid-1985 and the forecast for the end of this financial year to March 31 1986, is nearly £1.2bn. With the new order, the intake for 1985-86 will be £421m against £241m last year.

● It makes up for the lack of UK work. Firm orders for the Sizewell nuclear plant on the east coast of England have yet to be placed, with delays caused by the longest-running public inquiry in Britain into the Central Electricity Generating Board's proposals. Orders will, however, be worth about £90m to GEC Turbine.

Mr Davidson expressed frank disappointment at the Sizewell delay, noting that world competitors had the advantage of a large home market to bolster order books. "We are in the worst position that I am aware of in the world in terms of home market," he said.

Whereas the UK market totalled 40,240 MW in the 12 years to 1974, or 3,350 MW a year, it had slipped to a mere 5,820 MW, or 432 MW annually, in the subsequent 13 years, including estimates up to 1987.

● It strengthens GEC's chance of winning more business in China, which has a large power-station programme to satisfy the needs of its energy-hungry population and industry. The Chinese make turbines, but have nowhere near enough capacity.

"Obviously, this first order from China is a very important milestone in our efforts to enter the Chinese market," says Mr Davidson, who was born in a Lanarkshire mining village and came to Rugby (English Electric) as a mechanical engineering apprentice in 1949.

By 1990, the Chinese aim to have 120,000 MW of power installed, rising to 240,000 MW by the end of the century. That compares with 66,000 MW in 1980, 78,000 MW in 1983, and around 85,000 MW last year. Recent turbine orders have been won by Japan, the Soviet Union, Czechoslovakia, the US and France.

China's pressure on price for the Daya Bay plant, from which 70 per cent of the power will go to Hong Kong, shows how tough it is to win business there. In recent tenders, GEC's price is reported to have been above the competition.

● It gives GEC Turbine, which makes net profits of around £30m a year, a chance to prove itself with a significant technological advance, namely the use of high-speed turbine generators with water-cooled reactors.

The turbine generators for China will be the largest high-speed units built in the UK. Mr David Kalderon, engineering director of GEC Turbine, said: "The Daya Bay generators are a very significant step in our fight to stay with the best."

GEC, he adds, will be entering a part of the turbine industry now exclusive to KWU of West Germany, Brown Boveri of Switzerland and one Soviet builder by making 3,000-rpm turbines for the PWR (pressurised water reactor) plant at Daya Bay.

It is a development on which GEC has been working for 15 years. In the UK, steam from conventional power stations and nuclear stations based on gas-cooled reactors is at high temperature and the turbines rotate at 3,000 rpm.

Water-cooled reactors used elsewhere in the world produce steam at low temperature and reduced pressure. Thus generating speeds have either been halved, with bigger and more expensive turbines used, or turbine sizes have been halved and their numbers doubled, which is also costly.

Although one contract may lead to another in the turbine generator business, the pressure to succeed and to compete is fierce.

"If you fail to perform on one of these large contracts now," says Mr Davidson, "you eliminate the possibility of repeat business and jeopardise your ability to win future projects." So for GEC, the Chinese order is both a welcome slice of new business and a chance to show world customers what it can do.

United set to cut jobs in newspapers

By Helen Hague

UNITED NEWSPAPERS, which made a successful takeover bid for Fleet Holdings last autumn, is expected to announce job cuts at the Daily Express, Sunday Express and The Star within the next few days.

During the takeover battle, Fleet's alleged failure to cut its costs, shed labour and introduce new technology formed an important part of United's attack.

United indicated at the time that it would be looking for reductions in manning of around 20 per cent.

Mr Gordon Linacre, deputy chairman of United, told print and journalists' union officials this week that the company's plans for the titles were now in their final stages. Union general secretaries would be informed but detailed discussions would be left to chapels (office branches).

He said the cuts would be across the board, although not equally distributed. Although the overall manning figures United is seeking were not divulged, cuts would not be phased over a number of years. There are no plans to abandon traditional printing centres.

Liffe's trading volume again at peak level

By Alexander Nicoll

TRADING VOLUME on the London International Financial Futures Exchange (Liffe) reached record levels yesterday for the second successive day, spurred by hectic activity on both the UK and US money markets.

Volume of all Liffe's futures and options contracts was estimated at 40,200 lots, up from the record of 34,681 set on Wednesday and the previous peak of 34,596 on October 30 1985.

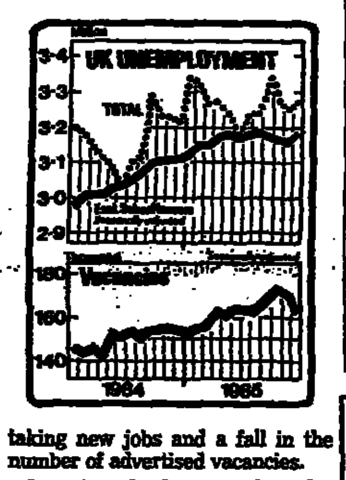
Precise figures for yesterday's volume were not available last night because of a technical breakdown in the exchange's order matching system, which, the exchange said, was not caused by the volume surge.

Sudden weakness in the US bond market on Wednesday night triggered heavy business – and a sharp price fall – in Liffe's UK Treasury bond futures contract yesterday. It reached a record of about 9,700 contracts traded, surpassing the peak reached last November 21 of 9,016.

The turmoil in the London money markets, including the rise in banks' base rates on Wednesday, has brought high turnover in Liffe's three-month sterling interest-rate futures contract. On Wednesday it jumped from a record 7,177 contracts set the previous day to a new high of 12,091 contracts – worth a total of just over £6bn. Yesterday, volume was estimated at 9,800 contracts.

Unexpected rise takes jobless total to 3.18m

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT



GOVERNMENT HOPES that the upward trend in Britain's unemployment total had been halted received a setback yesterday with news of an unexpected rise in the number of people out of work last month.

The Department of Employment said that the seasonally adjusted unemployment total rose by 14,700 in December to reach 3.18m people or 13.2 per cent of the workforce. The unadjusted total rose by 14,200 to 3.27m or 13.5 per cent.

In the previous three months the adjusted figure, regarded as the best guide to underlying trends in the labour market, had fallen, encouraging optimism among ministers that unemployment had stopped rising.

The Government yesterday sought to emphasise that the December figure should not be seen as the start of a new upward trend. Lord Young, the Employment Minister, said that rise was "disappointing" but that it still appeared that the trend was broadly flat.

Official statisticians believe that the figures may have been distorted by the unusual proximity of the unemployment count to Christmas. Companies traditionally scale down their recruitment ahead of the Christmas holidays and this year the count was taken later than usual.

The December figures show a much slower increase than in previous months in the number of people taking new jobs and a fall in the number of advertised vacancies.

Opposition leaders seized on the rise as evidence that the Government's economic strategy was being blown off course, particularly as they followed a 1-point increase in interest rates earlier in the week.

Ministers, however, are hoping that the effect of the early count last month will be reversed in January, while the expansion of special employment schemes should continue to take more people off the jobless register.

The unadjusted unemployment total, however, is widely expected to reach record levels this month when temporary staff taken on in the run-up Christmas are laid off and bad weather hits outdoor work such as construction.

Argyll gets Distillers bid clearance

BY CHARLES BATCHELOR

THE GOVERNMENT yesterday gave approval for Britain's largest takeover bid, with the decision not to refer to the Monopolies Commission Argyll Group's £1.9bn offer for Distillers, the Scotch whisky concern.

Argyll, the Presto Foodmarkets group headed by Mr James Gulliver, is now free to pursue its campaign for the larger Distillers, best known for its Johnnie Walker whisky and Gordons gin brands. A merger would create a company with sales of more than £3bn, employing 50,000 people.

The decision by Mr Leon Brittan, Trade Secretary, to follow the advice of Sir Gordon Borrie, Director General of Fair Trading, and allow the bid to proceed, represents a setback for Distillers.

The six months' delay that would have resulted from a Monopolies review would have allowed it to strengthen its defences.

The Office of Fair Trading (OFT) is understood to have looked closely at the financing of the Argyll bid to see if there were any parallels with Elders IXL's £1.8bn bid for Allied-Lyons, the UK food and drinks group. The Elders bid, which relied largely on borrowed money, was referred to the Monopolies Commission last month for a review of the financing.

The OFT concluded that since only £800m of the Argyll bid price was being borrowed and the rest consisted of Argyll shares, the stock market would itself deliver a verdict.

The OFT is understood to have concluded that there would be no threat to competition if the two companies' drinks businesses were merged.

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HESELTINE AND THE WESTLAND AFFAIR

Resignation threat to Europe defence links

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

MR MICHAEL HESELTINE, in three years as Defence Secretary, became identified with two key policies: the attempt to get better value for money from the defence budget by his insistence on much tougher terms for defence contractors, and the effort to promote the collaborative production of defence equipment in Western Europe.

Mr Heseltine's espousal of co-operation with Europe was motivated both by a desire to save money, which he calculated would come from shared research and development as well as from long production lines on joint projects, and from a desire to strengthen Europe's defence industries against US competition.

This latter aim was couched not in terms of anti-Americanism but as a means of strengthening Europe in the Atlantic alliance.

As Mr Heseltine has become more deeply involved with, and committed to, finding a European solution to the problems faced by Westland, these arguments have had a public airing which none of his careful speeches and practical moves to promote co-operation over the past couple of years had achieved.

Much will obviously depend on how his successor, Mr George Younger, who has an interest in defence but no experience of European politics or co-operation issues, chooses to act.

However Mr Heseltine's sudden departure could well prove a setback to European collaboration. This is partly because his resignation is bound to be closely associated in Europe with the broader issues of the Westland affair. In the last few days before Mr Heseltine's resignation the Italian Prime Minister, and the French, West German and Dutch defence ministers have publicly expressed their support for his stand.

His European policies are also at risk, however, because he has been a driving force in recent moves to promote collaboration, frequently pushing his own bureaucrats and British defence contractors into seeking the European solution where they would not otherwise have done.

Attempting to persuade the governments, armed forces bureaucrats and industries of even Western Europe's main countries that they must produce common weapons systems has always proved an uphill task. Even after projects such as the three-nation Tornado fighter-bomber, now nearly complete, Britain spends only about 15 per cent of its annual budget on collaborative defence projects.

Mr Heseltine decided early on that more could probably be done if European ministers would give their unequivocal political backing to defence collaboration.

He became a prime mover in the revival early in 1984 of the Independent European Programme Group, a Nato allied body which includes France but not the US or Canada.

In meetings held for the first time at ministerial level, the 13 IEPG members have agreed to unglamorous but vital steps such as the importance of agreeing the harmonisation of military requirements and of agreeing dates for bringing equipment into service, as well as sharing research and development costs.

Political backing for such policies as far as Mr Heseltine was concerned, involved bullying bureaucrats and Britain's industrialists into seeking collaborative solutions for all important new equipment.

He was often blamed by them for pushing collaboration too far. During negotiations on the European fighter, for example, which ended in agreement between Britain, West Germany, Italy and Spain last August, he continued to insist that France must if possible, be involved, months after his civil servants and British aerospace officials had given up.

Mr Heseltine will be missed by his European ministerial colleagues, who seem certain to treat his successor with caution. They will undoubtedly watch very carefully to see whether, in effect, his departure spells a step back from Europe by Britain.

The former defence secretary's competition policies in defence procurement seem much less in jeopardy, if only because the realities of the declining British defence budget, which will fall in real terms by at least 3 or 4 per cent over the next two or three years, make their continuation imperative.

Mr Heseltine strove, with considerable style and flamboyance, to assert that no defence review would be necessary provided that competition policies, and what he termed flexibility towards defence planning (which, in effect, meant delaying costly projects) were maintained. Mr Younger may find that a difficult legacy.

Mr Heseltine was not particularly popular in the Ministry of Defence. He upset some bureaucrats with his management efficiency drive, and some top brass with the reorganisation and centralisation of the higher reaches of the ministry, removing the remaining powers of the service chiefs.

He was often thought to be mercurial, sometimes quixotic and his failure to take decisions speedily often caused agravation.

Yet he was undoubtedly respected. In an interview with the Financial Times shortly after he took over, he said: "If you're not careful as a minister, you can find yourself the titular head of the bureaucratic machine, moving relentlessly in the direction the machine wants.

"It's a very important requirement that you should be able to identify this phenomenon and decide at what point, if any, you wish to assert your own influence."

Few will deny that Mr Heseltine did exert influence, in at least the two key areas which interested him. The competition policy seems certain to outlast his resignation; there must be more doubt on whether his European policy will do so too.

Rifkind returns to Scottish Office

By John Hunt

WITHIN THE next few days Mr Malcolm Rifkind, the new Scottish Secretary, will attend a ceremony at the Court of Session in Edinburgh, to receive the Great Seal of Scotland.

"I hope he will be strong enough to carry it," observed his predecessor, Mr George Younger, yesterday.

There is, however, no doubt that Mr Rifkind has the robust mental capacity to carry out his new task with distinction.

"Very shrewd, very articulate, a very smart cookie," was how he was described yesterday by a colleague in the Foreign Office, where he has been minister of state with special responsibility for European affairs and for Africa.

Mr Rifkind, a Scottish advocate by training, has long been tipped as one of the up-and-coming bright young men of the parliamentary Tory party. He enters the Cabinet at the politically youthful age of 39.

He is no stranger to the Scottish Office, having served there as Under Secretary to Mr Younger from 1979 to 1982. Yesterday, Mr Younger spoke in glowing terms about Mr Rifkind's competence, an opinion shared by many civil servants and parliamentary colleagues.

In spite of a thin, upper-crust Edinburgh accent Mr Rifkind is an impressive performer at the Despatch Box in the Commons, where he has distinguished himself by his ability to deliver a long speech faultlessly without notes.

He has the barrister's mastery of detail and this has earned him the admiration of officials with whom he has worked. In his former tenure at the Scottish Office, civil servants were surprised at his quick mastery of the intricacies of the Scottish rate support grant.

Mr Rifkind was educated at Edinburgh University, where he showed a talent for politics and was chairman of the Conservative Club. He singlemindedly set out to make himself into a highly professional career politician.

Younger gets the job he coveted above all others

BY JOHN HUNT

JUST BEFORE 6 pm yesterday Mr George Younger left the 18th century splendours of Dover House, the London home of the Scottish Office, and strolled across Whitehall to the austerely modern building which houses the Ministry of Defence.

It was only a small step of a few yards but represented a leap forward in the career of that astute, 54-year-old politician. For 6½ years he has beavered away as Scottish Secretary patiently and competently performing the difficult task of defending the dwindling Conservative interest north of the border.

His value to the Government in the Scottish post was so great that his chances of advancement to a more senior job were blocked.

Then yesterday, in the space of a few tumultuous minutes in Cabinet, he found Mrs Margaret Thatcher offering him the succession to Mr Michael Heseltine as Defence Secretary — the one job he has coveted above all others.

As usual in such swift changes of political fortune there were touches of irony. Mr Younger has let it be known that when it came to choosing a successor to Mrs Thatcher he would be backing Mr Heseltine.

The new Defence Secretary is also a bit on the damp side politically and economically if not a fully fledged wet. The eldest son of Viscount Younger of Leckie, he has been described as "a classic old-time Tory paternalist."

Certainly he is not adverse to some degree of intervention in industry. In 1982 when the British Steel Corporation was considering closing the Ravenscraig plant in Scotland Mr Younger fought a bitter battle in Cabinet to keep it open.

There were strong hints that he would resign if the issue went against him. These threats were not taken seriously, however. Resignation was not his style.

He is a cool and shrewd political operator who would be unlikely to gamble his career on a single issue as Mr Heseltine has done. In spite of his opposition to the shutting of Ravenscraig, he has in recent weeks found it possible to accept the closure of the steel plant at Gartcosh in spite of immense opposition from the workforce.

Loyalty and obedience to the traditions of Cabinet collective responsibility were his watchwords yesterday as he gave a press conference within a few hours of his surprise promotion.

Seated beneath a picture of Sir Walter Scott in the Scottish Office, he answered questions with his usual urbanity. When the Government was going through a difficult time during the party chairmanship of Mr John Selwyn Gummer last year it was Mr Younger who unexpectedly appeared on London Weekend Television's Weekend World to brush up the Tory image with an impressive performance.

Perhaps in deference to entering the top political establishment yesterday he was wearing an old Wykehamist tie.

Yes, like other members of the Government, Mr Younger wall al in favour of greater defence co-operation with Europe. On the troubled question of Westland, however, he was all discretion.

"I am happy and will remain so about the clear statement of the Government," he declared. "It is a matter for the shareholders of the company."

One brutal questioner wanted to know whether he was going to be a "ye man" in his new job. Not at all, said the unruffled minister.

Another unkind questioner suggested that, with the Government's unpopularity in Scotland, he might have got out just in time.

Departing from his office yesterday he would have passed a long line of portraits of now forgotten Scottish Secretaries. After all the years in waiting, the man who was jocularly known as the King of Scotland has at last been given a chance to make his name on the national scene.

Quitting on principle a political gamble few have won

BY PETER RIDDELL

MR Michael Heseltine has taken a political gamble—resigning on point of principle—which few politicians have successfully done to their advantage in the past century.

It is, after all, the centenary this year of Lord Randolph Churchill's resignation as Chancellor of the Exchequer, on an apparently minor matter of defence policy. In spite of fears at the time, the result was to strengthen rather than weaken the Salisbury administration which he never rejoined.

Yet such a dramatic action is not out of character fo rMr Heseltine. He is an emotional man who can become preoccupied, eved obsessed, with issues to the annoyance of many of his colleagues.

They remember when he lifted the mace in the Commons, 10 years ago, in a late night clash with the Labour left.

Many fellow Tory MPs have always had doubts about his judgment. These have increased over the past month.

There has never been any secret about Mr Heseltine's ambition. His heroes have been David Lloyd George and Harold Macmillan, now Lord Stockton, both also political loners who favoured active government intervention in economic and industrial affairs. He has never seen any reason why he should not rise like them.

Born in Swansea in March 1933, he was educated at Shrewsbury and Oxford where he was president of the Union and founded a rival to the established Conservative Association.

After nine months as a national serviceman in the Welsh Guards he resigned to fight a hopeless seat in the 1959 general election. After contesting a marginal seat in 1964, he was elected for Tavistock in March 1966, later moving to represent Henley in February 1974 after boundary changes.

Meanwhile, he built up a personal fortune of several millon pounds at the Haymarket publishing group and as a result of successful property development. This enabled him to buy a country estate near Banbury in Oxfordshire, where he is creating a large landscape garden. His other hobby is bird watching.

After his lection to parliament he soon became allied with Mr Peter Walker in the late 1960s, and in the government of Mr Heath served as a junior transport and environment minister before becoming the Minister for Aerospace from 1972 to 1974.

In opposition he was nitially trade a ndindustry spokesman then switched against his wishes to environment in November 1976. In this period he established himself as the darling of the Conservative Party conference and there has always been fascination among colleagues at his elaborate, and at times histrionic, attempts to win a standing ovation.

After the 1979 election, he became Environment Secretary where his priorities were to establish new systems for increasing the efficiency of his department, expanding the council house sales programme and increasing Whitehall control over local authority spending.

After the 1981 inner-city riots he directed an emergency study of the problems of urban deprivation, which led to a number of changes.

Appointed Defence Secretary in January 1983, he mounted a successful propaganda programme against the Campaign for Nuclear Disarmament over cruise missiles.

He also concentrated on improving his department's internal efficiency and on increasing competition in procurement procedure, especially in the light of the Cabinet decision to hold defence spending flat in real terms.

Mr Heseltine remained thrughout very much on his own with only a small group of committed followers. He has never been one for the bars and corridors of Westminster, cultivating backbench opinion and support.

HESELTINE'S STATEMENT

Government deliberately tried to avoid tackling 'profound issues' raised

AT HIS press conference yesterday Mr Heseltine issued the following statement:

I have today teneder by resignation from the Government. Not because of the discussion at today's cabinet but because of the way in which the reconstruction of Westland has ben handled over a period of months.

This has raised profound issues about defence procurement and Britain's future as a technologically advanced country, issues that however have never been properly addressed by the Government. Indeed, as I shall show, a deliberate attempt has been made to avoid addressing them.

This is not a proper way to carry on government and, ultimately, not an approach for which I can share responsibility.

The background to the Government's policy on helicopter procurement is the 1978 Declaration of Principles agreed by France, Germany, Italy and the UK.

This provided that each country would make every effort to meet their needs with helicopters developed jointly in Europe. That policy has thus far been followed through in our future planning.

It is entirely consistent with the wider approach to defence procurement set out in the 1985 Statement on the Defence Estimates which emphasised the importance of Europe coming together in an equal partnership with the US within the North Atlantic alliance.

My own commitment to that alliance and to the strongest and most friendly relations with the US on a basis of equality could not be clearer.

When Westland ran into financial difficulties, partially because of its failure on the civil market, this was not my immediate ministerial responsibility. I am not the sponsoring minister for the helicopter industry. It would have been quite wrong for me to try to take hte lead role in what was a Department of Trade and Industry responsibility.

It would have been wrong also for the Ministry of Defence alone to bail out the company with orders for which there was not an approved military requirement. I did, however, make clear throughout that the helicopter capability provided by Westland was essential in some form to our defence needs.

When Sir John Cuckney, who had become the chairman of Westland with my full support and encouragement, first approached the Government about its attitude to potential partners for Westland, there was a close identity of view between the MoD and the DTI.

In view of this identity of view, it was still unnecessary for me to take any direct intiative. It was recognised that with a Sikorsky shareholding Westland might tend to become little more than a production facility for Sikorsky and to lose its own helicopter design and development capacity, that a link with European companies would fit better into the developing pattern of European collaboration and that, in many ways, British Aerospace would be the most welcome partner.

The need to explore urgently the European option was recommended by the Secretary for Trade and Industry on October 4. When, on October 17, Sir John Cuckney met the Secretary for Trade and Industry he said that he was well aware of the Government's preference for a European minority shareholder in Westland and attached weight to that preference. The problem was how to bring this about in a timely way.

Over the following weeks, there were a number of discussions involving both the European companies and Westland and contacts between European ministers. I kept in close touch with these and with the financial position of the company.

At one stage, I intervened to direct that the MoD's accounting officer should make a payment of £6m to Westland that was correctly being withheld from them on grounds of prudent government accounting but that I was satisfied should be made because of the wider issues involved.

As time went on, I became increasingly concerned about progress in the discussions particularly at a company level. On November 26, I met Sir John Cuckney and discussed with him where matters stood. He explained the need for urgent action and the attractions of participation by Sikorsky.

However, he did not rule out other options provided that they had as much to offer as the Sikorsky alternative. His problem was that he lacked the management resources himself to explore them.

I asked if I could help, having already agreed with the Secretary for Trade and Industry and that this was acceptable. He welcomed my proposal that I should assist in this process.

The lessons of the negotiations over the European fighter aircraft were in my view clear: without ministerial involvement it would be very difficult to achieve timely success. I was not prepared to seek the support of my European ministerial colleagues, unless their efforts would be fairly and properly treated.

Since Sir John Cuckney had oean alternative and welcomed in no way ruled out the European my offer to explore it, I discussed it with Dr Woerner the following day and arranged that national armaments directors of the UK, Germany, Italy and France should meet on November 29, and that the companies involved should also come together that day.

The national armaments directors reached provisional agreement on the way forward including a recommendation that, in an extension of the 1978 agreement their needs within the main helicopter classes should be covered solely in the future by helicopters designed and built in Europe

They also agreed to complete the rationalisation of their requirement for helicopters, carrying forward the objectives set out in 1978. As soon as this agreement had been reached I personally gave a copy to Sir John Cuckney.

Sir John Cuckney's response was that the agreement that had now been reached would effectively preclude Westland from proceeding with a tie-up with Sikorsky. The subsequent ministerial discussions took place only in the context of this issue, rather than the wider dimension of the Government's approach to the ownership of a major defence capability.

There were three ministerial meetings chaired by the Prime Minister at the beginning of December, two of them *ad hoc* groups on December 4 and 5 and finally a discussion in the ministerial subcommittee on economic strategy on December 9. The Prime Minister attempted at all three meetings to remove the recommendation of the national armaments directors and thus leave the way clear for the Sikorsky deal.

The *ad hoc* meetings were both ill-tempered attempts to overcome the refusal of some colleagues to this close off the European option.

The Prime Minister, failing to secure that preference, called a meeting of the subcommittee on economic strategy on Monday December 9. I proposed delay until the following Friday to give the Europeans time to come forward with a proper proposal. If they failed, I said that I would back Sikorsky.

Virtually every colleague who attended the enlarged meeting and thus came fresh to the arguments supported me, despite the fact that Sir John Cuckney had been invited to put his views to the meeting.

That meeting concluded that the subcommittee were not yet ready to reject the NADS recommendation and a number of ministers would have a clear preference for the European alternative to a Sikorsky deal. If it could be developed into a form which the Westland would regard as preferable to the Sikorsky arrangement.

Time was limited and, as I have said, I was given to the following Friday to come up with such a proposal. The Prime Minister clearly stated on that Monday that ministers would meet again to consider the result on Friday at 3 pm after the Stock Exchange had closed. There would thus be a further opportunity for colleagues to consider the outcome and to inform the board of their views if they wished.

I was content. There was time. There would be further collective discussions.

The Cabinet Office subsequently began arrangements for that meeting and a number of Whitehall departments were contacted about the availability of their minister. These arrangements were, however, cancelled on the instructions of the Prime Minister. Having lost three times, there was to be no question of risking a fourth discussion.

As a result, the meeting on December 9 represents the only occasion on which there was a collective discussion of the issues involved, as opposed simply to the question of their public handling by the Government.

By December 13 I produced proposals for ministerial agreements. A complementary offer by the companies concerned to participate in the reconstruction of Westland was also made that day. They were not addressed collectively, but I circulated them to coleagues.

Folowing the decision not to proceed with the meeting on December 13, I sought on a number of occasions to have the isues properly addressed.

The first attempt had been at the Cabinet on Thursday, December 12. The Prime Minister refused to allow a discussion in Cabinet that day. I insisted that the Cabinet Secretary should record my protest in the Cabinet minutes.

When the minutes were circulated there was no reference to my discussion about Westland and consquently no record of my protest. Before the next Cabinet meeting, I complained to the Secretary of the Cabinet. He explained that the item had been omitted from the minutes as a result of an error and he subsequently circulated an addendum in the form of a brief note of the discussion.

Such an error and correction was unprecedented in my experience. The minutes, as finally issued, still did not record my protest and I have since informed the Secretary of the Cabient that I am still not content with the way in which this discussion was recorded.

The world is aware that on December 13 the board of Westland rejected, after the briefest discussion, the proposals put forward by a consortium which now included Britain's leading aerospace company, British Aerospace.

On December 16 the Secretary for Trade and Industry made a statement to the House that, since the Westland board had rejected the British/European consortium proposals, the Government was nit bound by the NADS recommendation.

Effectively, he thereby left the way clear for the Sikorsky/Fiat bid.

There followed increasing concern over the defence implications of this decision. The officers of the Back-Bench Defence Committee of the Conservative Party put out a statement in support of the approach I was taking. I did not solicit that statement.

Subsequently on December 18 the House of Commons Defence Committee, following a private meeting with me, also drew attention to the defence implications.

At the Cabinet discussion on December 19, there was again no attempt to address these fundamental issues. It was laid down that it was the policy of the Government that it was for Westland to decide what was the best course to follow in the best interests of the company and its employees; that no minister was entitled to lobby in favour of one proposal rathen than another; and that major issues of defence procurement were for collective decision.

Information about the implications of defence procurement for Westland's workload should be made equally available to both groups as well as to Westland. I explicitly explained at that meeting that, as the Ministry of Defence was the major customer of Westland I was bound to answer questions whether from UT/Fiat or from the European consortium about defence procurement aspects.

I also drew attention to the fact that I beleived that on the following day events would unfold that demanded collective judgment. I knew at the time, but could not prove, that the British/European proposals would appear next day.

I therefore told the Cabinet that, while it was acceptable that Thursday for the Government to adopt an apparently neutral approach, events would shortly unfold which would demand collective judgment.

Events did so unfold. The following day, December 20, the British/European consortium put forward an offer to Westland that was widely described as superior in every way to the Sikorsky/Fiat alternative. It was rejected out of hand by the Westland board.

I wrote on December 23 to my colleagues setting out my views on the implications of both offers and their comparative merits and asking that the Government should exercise its proper responsibility on so important a matter of defence industrial policy.

I explicitly recognised that the holiday period was a difficult time for such a judgment. But before the directors came out with a final recommendation last Sunday, it would still have been possible for the Government to meet and to restate the preferences so clearly expressed at the outset.

My request for a meeting was refused by the Prime Minister.

Two further events must be recorded. Sir John Cuckney wrote on December 30 to the Prime Minister seeking assurances about the position of the company should they proceed with a Sikorsky/Fiat link. These assurances were sought directly in relation to a letter sent by the Ministry of Defence at my direction to the company.

The fundamental issue raised by Sir John Cuckney related to defence procurement issues for which I was the Secretary of State with the individual ministerial responsibility. In the proper conduct of government business Sir John's letter would have been referred to my department for advice and a draft reply.

In this case, the Prime Minister's privaet secretary sent the letter to the DTI and asked for a draft reply, cleared as appropriate with other departments and the law officers. He asked for it to be submitted by 4 pm the following day. The letter from 10 Downing Street set out the line which the Prime Minister proposed to take.

When I received my copy of the letter the following morning, I pointed out that these were matters within my ministerial responsibility but the letter was not transferred to my department for answer.

I also pointed out that the line which the Prime Minister proposed to take was materially misleading. The DTI prepared a draft reply which was referred to the law officers only at my express request. A reply with which all concerned could live was eventually hammered out at about 10 pm on New Year's Eve.

I subsequently amplified those parts of the reply that sought to hide the reality of Westland's position in relation to potential European partners and prospects for orders from the Ministry of Defence in the medium-term, in a letter of January 3 to Lloyds Merchant Bank, which I copied to Sir John Cuckney.

I was informed the following day by the Solicitor-General that on the basis of the evidence which he had thus far seen my letter contained material inaccuracies. He wrote to me in this sense on Monday January 6.

Within two hours of my receiving his letter, damaging selective passages had been leaked to the Press Association. I cannot comment on the source of these leaks on which there will no doubt be a full inquiry in the normal way. No one can doubt their purpose.

I subsequently on January 6 set out to the Solicitor-General some of the further evidence at my disposal about the attitude of other governments and other companies and informed Lloyds Merchant Bank by letter on that day that my answer needed no correction.

The Government, in its official position, has sought to suggest that it has adopted an even-handed approach between the viable offers. In practice throughout the attempt has been made to remove any obstacles to the offer by Sikorsky/Fiat even to the extent to changing existing government policy.

Although, as I explained earlier, at the outset there was a clear recognition of the attractions of involvement by British Aerospace, I understand that last night the Secretary for Trade and Industry, in the presence of another minister in his department and his officials, told Sir Raymond Lygo of British Aerospace that the role which British Aerospace were taking in the European consortium was against the national interest and that British Aerospace should withdraw.

So much for the wish of the sponsoring department to leave the matter to the shareholders on the basis of the most attractive choice available to them.

Finally we come to today's cabinet. It was suggested that any questions in conection with the competing offers for Westland should be referred by all ministers to the Cabinet Office to be handled by them in the first instance.

To have done so would have been to imply doubt and delay in any and every part of the assurances I had publicly given on behalf of by ministry and of my European coleagues. Such a procedure would have allowed the advocates of the Sikorsky proposals to make mayhem over what is now the superior British/European offer.

While I agreed that all new policy issues could be referred to the Cabinet Office. I refused to abandon or quality in any way assurances I have given or my right as the responsible minister to answer questions on defence procurement issues in line with policies my colleagues have not contradicted.

The Prime Minister properly summed up the viewo f Cabinet that all answers should be referred for collective clearance. I could not acept that constraint in the critical few days before the Westland shareholders decide. Ihad no choice but to accept or to resign. I left the Cabinet.

To be Secretary for Defence in a Tory government is one of the highest distinctions one can achieve.

To serve as a member of a Tory cabinet within the constitutional understandings and practices of a system under which the Prime Minister is priumus inter pares is a memory I will always treasure.

But if the basis of trust between the Prime Minister and her Defence Secretary no longer exists, there is no place for me with honour in such a cabinet."

Composed answers to press questioning

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

MR MICHAEL HESELTINE explained his resignation from the Government yesterday in a 14-page statement which took him 22 minutes to deliver before the most crowded news conference seen in recent years at the Defence Ministry — possibly excluding only that held at the end of the Falklands conflict.

The former Defence Secretary arrived a few minutes late but appeared composed.

In replies to questions after his statement, Mr Heseltine stressed the issues of principle involved in his resignation, refusing to answer questions about his political future. These were "trivial," he said.

The former Defence Secretary said he would now speak up for the European consortium's proposals "to whatever audience would listen" in the critical few days before shareholders were due to vote on the Sikorsky rescue plan on Tuesday.

Asked to characterise his sudden departure from the Cabinet yesterday, he said that people close to the centre of these issues had known that there were certain points "beyond which I would not go." The meeting had been very calm and he had believed "as the dialogue unfolded that we would get through."

However, constraints on his freedom to answer questions in relation to the Westland affair had been imposed and that, he suggested, had been the last straw.

Mr Heseltine refused to have fords put in his mouth when one questioner suggested that his departure had been headstrong or impulsive.

He gave the same reply to another who asked whether he had not effecfively accused the Prime Minister and his former ministerial colleagues of either hypocrisy or double dealing.

Mr Heseltine was finally asked whether, in the light of the speedy appointment of his successor, Mr George Younger, he thought that the Prime Minister had realised that he might resign yesterday. Had he even been set up to resign?

The former Defence Secretary smiled, pausde and then declared the question to have been a good one.

He paused again and added: "And I think that rather a good answer."

HESELTINE AND THE WESTLAND AFFAIR

Bridget Bloom looks at the commercial and industrial details on which the ailing helicopter company's long-term future will rely

Rescue offers depend on workload and product packages

IN SPITE OF political upheavals, the battle for Westland itself seems to have come to a temporary halt, at least in one important respect.

While the rival suitors for the company's rescue have increased the financial terms each is offering shareholders, they now seem unlikely to change the more significant work and industrial packages with which they are proposing to underpin the company's future.

Only about £1m divides the £74m US-Italian rescue plan from the revised £75m offer produced by the four-nation European consortium on Tuesday, though there are variations in each financial package, particularly on the contributions needed from shareholders.

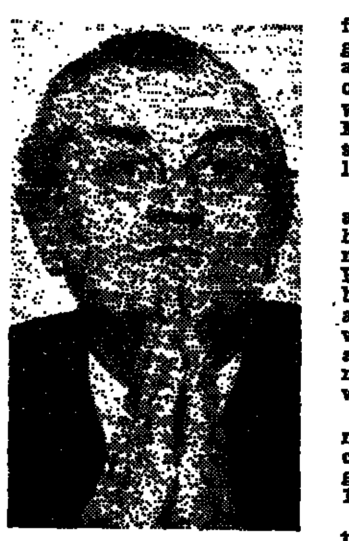
The nature of the two commercial packages on which the company's immediate and longer term future must rest, are, however, quite different.

On the face of it, the European proposals seem to offer greater advantages. They provide more immediate work for the shop floor as well as potential sales to the British and other European governments of more than 300 new helicopters over the next 10 to 15 years.

Against this, the Sikorsky-Fiat proposals, favoured by the Westland board, appear to offer possible sales of 150 US-designed Black Hawk helicopters to unspecified markets, with extra potential sales of about 100 aircraft to the UK Government being dependent on a reversal of the present policy of the Ministry of Defence not to buy the Black Hawk.

Both packages—which would be negotiated in detail only when one or other solution is legally in place—have their dangers for the company.

The probability is that the guarantees of work may be less secure than they seem, while it seems doubtful that either offer would be enough in the short term to stave off further redundancies among the 6,900 of the Westland helicopter and helicopter support divisions on top of the 750 announced before Christmas.



Sir John Cuckney: favours Sikorsky-Fiat offer

Westland Helicopters, which accounts for roughly 70 per cent of the Westland group turnover, has two distinct problems on the workfront. The first is the need to fill a gap in its workload between the end of this year and 1989-90, when the EH101, the naval and utility heavyweight helicopter being developed as a joint venture with Agusta of Italy, should enter production.

The second is that the company badly needs a new saleable product to keep it going through the 1990s. Its failure to develop the eWstland 30, a medium-weight general purpose transport helicopter into a successful military as well as civilian aircraft, is the main reason for the company's parlous state.

Westland's immediate work problem will be somewhat ased if, as expected, an Indian order for 21 W30 civilian aircraft goes ahead. Much work has already been done on this order but it would seem that it, with existing work from the MoD, should keep going the shopffoor force of some 1,900 at least for the next year.

The company's 1,500 design and development engineers have been working on developments of the W30, on the EH101 as well as on a possible battlefield helicopter but there appears to be differences of view between the consortium and Sikorski-Fiat about how much extra engineering work will be needed.

To tide the company over the next three years, the European consortium has proposed guaranteed work amounting to 1.8m man hours.

About half of this would be the continuation of existing contract work from Aerospatiale, the consortium's French member, with an additional 300,000 hours of engineering work from Augusta, its Italian member, and about the same from an order of six Sea King helicopters from the MoD.

This order, since it is said to be dependent on savings from the collaborative programme proposed in the European solution, would not be available with the Sikorsky plan.

Sikorsky-Fiat last Sunday increased its work offer to 2m man hours, but spread over five years, which amounts to some 400,000 man hours annually, compared with 600,000 from the Europeans.

However, Mr Colin Green, Sikorsky's vice-president, points out that two-thirds of its package is engineering work of the sort vital to keep the company's design and engineering staff intact. Much of it apparently would be on the Black Hawk helicopter destined for the US army.

By contrast, the European consortium's offer appears geared to shop floor assembly in the—opposite—belief that that is what Westland most needs.

Sikorsky's Black Hawk (top) and Westland's W30.

Sir Raymond Lygo, managing director of British Aerospace, which is taking the lead in the consortium and would take over Westland's management "if necessary," says that BAe could transfer some of its large engineering work load to Westland.

It is not, however, clear from either offer whether further redundancies could be avoided. Preliminary estimates from the consortium, for example, appear to suggest that even from their larger offer shop floor work would be found for only about 1,600.

In the longer term however, everything will depend on whether Westland can find the right product.

Though the world helicopter market is estimated at some 35,000 aircraft, worth $71bn (£50bn), over the next 15 years, nearly half of this is likely to be accounted for by the protected US military market, especially in the larger and heavier aircraft, while the trend in the Third World where Europe and the US have competed in the past is to seek deals involving offset or local assembly.

However, defence officials say that the market in Europe, including Nato and neutral countries such as Sweden, for military helicopters may be under 4,000 for all types.

It is partly because of the uncertainty of the world market that the consortium argues that its plan offers Westland the more secure future, since it involves three new helicopters with guaranteed sales to at least four European governments.

These are the Anglo-Italian EH101, which, since it is the subject of legally and commercially binding agreements, seems certain to go ahead under either rescue plan; the medium-weight Nato helicopter for the 1990s (NH 90) currently under feasibility study by Britain, France, West Germany, Italy and the Netherlands; and a new lightweight battlefield helicopter which would merge two current projects, the Franco-German and the PaH2 Anglo-Italian development of the A129, into a single project.

The defence ministers of the four countries have agreed that officials will meet in February to decide on a common requirement, provided Westland opts for the consortium.

The MoD estimates that the governments involved would buy about 700 NH 90 helicopters (about 225 each for West Germany and France, and 90 to 100 for Britain with the remainder split between Italy and the Netherlands) and more than 600 battlefield aircraft (200 each for France and West Germany, 125 for the UK, 90 and 40 respectively for Italy and the Netherlands).

Britain has already guaranteed an initial order of 50 EH101 helicopters to replace the Royal Navy's Sea Kings, with the Italian navy taking an initial 35.

Sikorsky executives are sceptical of these proposals. The NH 90 and the proposed battlefield helicopter were "mythical goddam aircraft," according to one.

Yet consortium and defence officials are equally critical of Sikorsky's rescue plans.

Sikorsky, making much of its 40-year association with Westland which enabled the British company to do well out of developing Sikorsky's original Sea King helicopter, is now offering Westland the manufacture of the Black Hawk under licence.

Westland would pay a fee of £5m (the same as it paid for the Sea King in the early 1950s) to Sikorsky and the US company will help it to sell the Black Hawk.

The Europeans point out that while Sikorsky will have sold more than 1,000 Black Hawks by next year to the US armed forces, only 40 have been sold overseas.

These have been mostly to Western countries, such as Australia and Spain, which have insisted on local assembly, or Japan, where Japanese electronic and avionics systems have been fitted, or to China (24 of the civil version) where future orders are uncertain.

Potential markets for Westland's Black Hawk are said to include Portugal and Turkey, which might be expected to buy more cheaply through the US through military aid programmes, and Switzerland and countries in the Far East such as South Korea.

Consortium officials acknowledge Westland's skills in "customising" helicopters for specialist markets but they doubt whether such sales are viable today, even for the relatively small quantities of about 15 aircraft a year which Sikorsky envisages Westland might sell outside the UK.

Sir John Cuckney, Westland's chairman, has said he believes the Sikorsky-Fiat plan is both commercially and "qualitatively" better than the European one.

He has made it clear that he would prefer Westland allied to two private sector companies (Agusta and Aerospatiale are partly state controlled) and that he believes Sikorsky's links with its US parent, United Technologies, will bring Westland extra benefits for both its helicopter and non-helicopter businesses.

The consortium denies the suggestion that it cannot offer Westland work of as high a technological order as Sikorsky, though the announcement this week that BAe would if necessary assume management responsibility for Westland was intended to meet the criticism that the link with a five-company four-nation consortium could lead to inefficiency.

The consortium comprises Aerospatiale of France, British Aerospace and GEC from Britain, Agusta from Italy and Messerschmitt Boelkow Blohm from West Germany.

THE OFFERS COMPARED

	UTC/Fiat	Consortium
FINANCIAL		
New share capital subscribed by potential partners	£36.8m	£38.9m
New share capital subscribed by existing shareholders	£14.2m	£13m
Conversion of bank debt into preference share capital, net of sales	£23m	£22m
Total rescue package	£74m	£73m
OTHER FEATURES		
Subscription price of rights issue shares	60p	55p
Subscription price per ordinary share by potential partners	65p	78p
Equity retained by existing shareholders	64%	63%
WORK COMMITMENT		
Guaranteed man hours	2.0m*	1.8m†

* Over five years. † Over three years.

THE PROPERTY MARKET BY MICHAEL CASSELL

Trafalgar back in City

TRAFALGAR HOUSE is returning to the City of London office development market. The group's commercial property arm is to develop a £30m. speculative office building on the site of Blomfield House, located on the corner of London Wall and Blomfield Street.

Work on the 50,000 sq ft building, involving extensive redevelopment and some refurbishment, should begin in the first half of this year and there will be a maximum 18-month construction programme. Blomfield House was recently acquired by Trafalgar, but it is not revealing terms of the transaction.

The decision is a significant one for Trafalgar House Developments, which has been reluctant to take on any new office projects, in the City or elsewhere, since its disappointment over Plumtree Court, the 190,000 sq ft building it put up close to Holborn Viaduct.

Plumtree was completed in 1983, let in 1984 to Coopers & Lybrand and eventually sold at the end of the same year to Norwich Union for around £45m. Trafalgar had been looking for nearer £60m.

Trafalgar's most recent attempt to get back into the City development market involved a bid for the former Post Office headquarters building at St Martins-le-Grand, where it was pipped to the post by Julian Markham and his Japanese partners.

But after three years of watching property from the sidelines, largely contenting itself with building out a number of projects already in the pipeline, the group is again stepping up its commitment to the sector.

Trafalgar's re-entry really began last October with the £39m purchase of Brooklands industrial park and it has also been raising its involvement in the retail market. Until now, the office market had been bottom of the list of priorities but it appears that the Blomfield House deal may shortly be followed by another major office development project in London's West End.

Geoffrey Carter, chairman of Trafalgar House Developments, says the development market has reached a point in its current cycle which makes certain development opportunities attractive once more: "I am happy to take on a speculative scheme in the City but, elsewhere, we are generally only interested in developing purpose-built accommodation for identified clients. On that basis, there are some exciting opportunities around."

At Brooklands, Trafalgar plans a major development of the 280-acre site, of which 90 acres is designated for industrial space. Last year, the group also paid £13m to Reed International for 70 acres of land at Uxbridge, close to Western Avenue, where it plans comprehensive industrial development.

The group's property activities in the United States, which first got underway in 1971, are also stepping up and its current US development programme, concentrated in New York, Jersey and Connecticut, is valued at around $360m.

One of Trafalgar's biggest US projects is on the corner of 70th Street and 3rd Avenue in New York, where it is developing a condominium block. There is another apartment building project underway on 2nd Avenue and the group's residential interests in North America are apparently about to expand further with the creation of a new US company to develop traditional housing.

In the commercial market, Trafalgar House Real Estate is developing a 20-acre business park in Westchester, where it has also acquired a 100-acre site capable of housing 600,000 sq ft of offices, and a major hotel and conference centre. There is also a retail and office project in Greenwich, Connecticut and the company is also planning a 600,000 sq ft business park in New Jersey.

Eventually, Trafalgar's US operation might extend further afield but, for the time being, Carter is content to confine activities to the north-eastern seaboard. As for the home market: "Trafalgar's broad base enables us to vary our commitment to property. We have usually got our timing right and we believe now is a good time to be in."

Prudential sells in Baker Street

THE PRUDENTIAL has sold one of its central London freeholds for nearly £10m. The building is an 80,000 sq ft office and retail investment in Baker Street, principally occupied by Foote Cone and Belding, the international advertising agency. The agency has been paying a very low rent at Baker Street since 1959 and, with only ten years of its lease left to run, has negotiated the freehold purchase from the Pru for £9.7m. The building was originally the headquarters of Marks and Spencer. Edward Charles and John D. Wood acted for the purchasers.

● The Receiver of Legion, a subsidiary of Illingfield Securities, has sold the freehold of Holland House, Bury Street, in the City of London, to an unnamed institutional client. The 49,400 sq ft refurbished office building is let to numerous tenants and the rent passing is £924,000. The sale price reflected further major works which are required. The vendor was represented by Richard Ellis.

● Miller Developments, part of the Edinburgh-based Miller Group, has sold two prime investments to Scottish Amicable Life Assurance for over £9m. The package comprises Powell Duffryn House, a 22,000 sq ft office building in Bracknell, let at £408,000 a year to Powell Duffryn, who will move in during March, and the new, 50,000 sq ft headquarters and distribution centre for Konica UK, at Felthambrook, let at £269,000 a year. Healey and Baker and Herring Son and Daw acted for Miller at Bracknell while H and B and Emmitt Rathbone acted on the Konica letting. Jones Lang Wootton acted for the Fund in both cases.

● Shearwater Property Holdings, part of Godfrey Bradman's Rosehaugh Group, has been appointed by Eastleigh borough council as its partner in the £31m redevelopment of Eastleigh's town centre.

● British Standards Institution has sold the lease on Newton House, its 25,500 sq ft building in Pentonville Road, Kings Cross, to Girobank. BSI held a lease for a term until 2001, with a further option for a further seven years. Details of the premium paid have not been disclosed. Moss and Partners acted for BSI and Edward Erdman acted for Girobank.

● Haslemere Estates has confirmed the letting of 81 Gracechurch Street, its 12,500 sq ft City of London office refurbishment carried out in conjunction with Greater Manchester Council Superannuation Fund, to Berliner Bank for nearly £375,000 a year.

Yields 'unrealistically low'

THE PROBLEM of unrealistically low yields on a wide range of increasingly obsolescent property investments still hangs heavily over the UK market. The unspoken conspiracy between those institutional and corporate landlords who stand to lose most when reality finally overtakes them has managed to fend off the day of reckoning. But the end must surely be nigh.

The overnight revolution in occupational requirements has played havoc with the value of property which was built to last for decades but which has rapidly been overtaken by events.

Acres of prematurely ageing real estate are no longer performing properly and their owners will need to throw bucketsful of money at them in order to smarten them up. Although there is evidence that the message is slowly getting through, with yields starting to shift onto a more realistic basis, the true impact of obsolescence has still to be fully reflected in many cases.

As a result, some investors remain wary about coming back into the property investment market, despite the improving occupational picture and the upturn in the sector's relative performance.

Of the three principal investment markets, the nettle seems to have been grasped first and firmest in the industrial sector, where yields have risen to reflect the outdated nature of many properties. The problem has not previously been a significant one in the retail sector, although radical changes in the pattern of retail development mean that it will, in future, need to be taken into account and reflected in yield levels.

The biggest blackspot, however, is in the office market, where an entire generation of properties built over the last 20 years are coming to the end of their useful lives. Still more worrying, perhaps, is evidence that the latest institutional funding packages are still failing to acknowledge exactly what is going on.

In their latest bulletin on the investment market, Richard Ellis, the chartered surveyors, say that, even in the most buoyant office centres, demand for second-hand buildings remains weak, unless they are brought up to date with large injections of capital.

The agents add: "In the tenants' market of the early 1980s, shorter leases and break clauses have been in increasing demand, both from US companies and a number of UK users. Despite this trend, the majority of institutional fundings are still undertaken on the basis of a standard 20 or 25-year term.

"Only where developments have been undertaken direct has the developer the flexibility to adapt to a tenant's requirement for a shorter term. A 10- or 15-year lease term would enable a capital injection into a building before it becomes ex-growth and obsolescence detracts from future performance."

Ellis point out that, although office yields have increased in recent years, it remains questionable whether these adequately reflect future capital requirements for vital upgrading. The institutional investment market, they add, is only just coming to terms with the new ground rules and it will still be some time before all yields react accordingly.

On the wider investment front, the agents reckon that the re-pricing of property through yield adjustments means that property is generally cheaper now than it has been for the last decade. Certainly, rental growth requirements needed for property to perform alongside gilts are lower than they have been since 1978 and property now offers a yield advantage of around 3 per cent over equities.

With less optimism about the prospects for equity and gilt markets, some analysts predict rental growth will at least match dividend growth in the coming year.

But if there is ample justification for a significant, if selective, return to the property market by the institutions during 1986, a major upsurge of new investment funds seems unlikely, not least because the government's continuing privatisation programme will continue to direct a big chunk of institutional cashflow into equities. The level of trading within portfolios, however, should continue to rise.

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TECHNOLOGY

As France prepares a satellite launch, **Peter Marsh** focuses on the developing business of photography from space

A satellite with two eyes on the globe

THE Spot-1 spacecraft will take pictures of the earth with two photographic sensors each of which receive images over a 60 km track of the globe.

The satellite, due to be launched next Friday on an Ariane rocket at France's space centre in Kourou, French Guiana, will fly in an orbit about 860 km high over both North and South poles.

While the earth rotates, the satellite, which makes one revolution every 90 minutes, covers the planet's surface. It repeats the same track every 26 days.

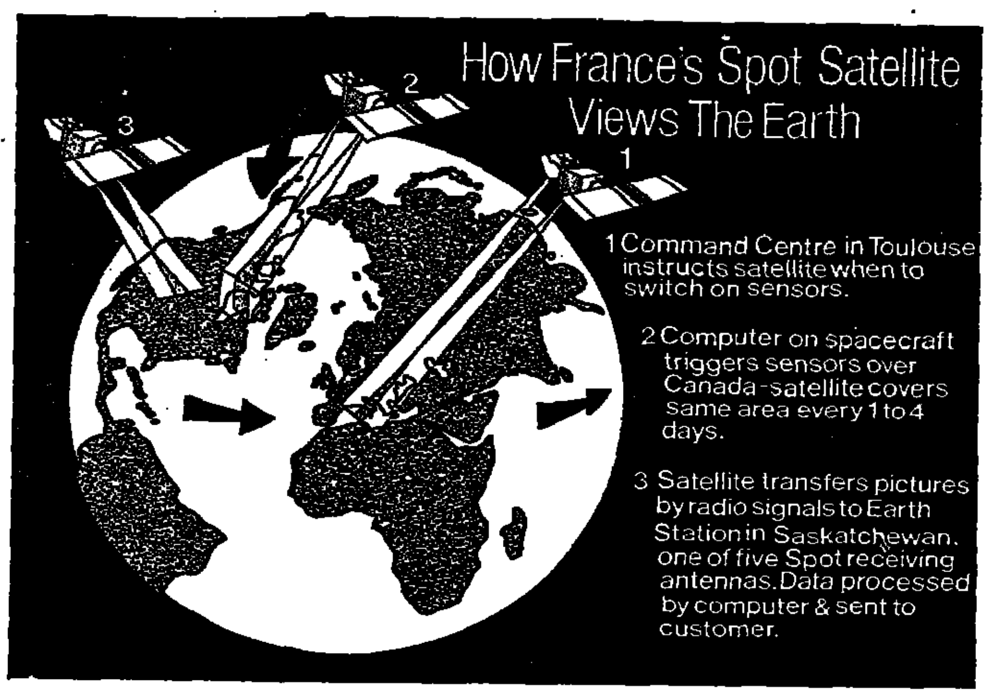
Spot-1 is scheduled to return to ground stations each year about 900,000 photographs, each 60 km square. Of these images, only about 10 per cent will be useable, the rest being ruined by cloud.

Initially, Spot will transmit to five ground stations. Earth antennas run by Spot Image in Toulouse and Satimage, a subsidiary of the Swedish Space Corporation, in Kiruna, northern Sweden, include computers for processing the raw data.

Two stations in Canada and one in Bangladesh will tune into signals when the satellite is overhead. These will be joined later in the year by stations in Brazil and India.

To obtain data from the spacecraft, a customer will either buy a computer tape or ordinary photograph from an archive in Toulouse or will specify a spot on earth of which it wants an image.

Spot is flexible because its sensors can be steered by an on-board computer. This means it can "look" at any time at a scene across a 900 km swathe of the earth.



Fears mount over pirating of data from outer space

BOTH Spot Image and Eosat are concerned about the pirating of information from outer space.

There are fears that organisations could tune in illicitly to signals from the Spot and Landsat satellites. A more pressing difficulty concerns unauthorised copying of satellite data once the images have been processed on the ground.

If this becomes serious, both companies could be faced with taking legal action against illicit copiers, in the same way as publishing and music companies now take action against people who make facsimiles of books and audio cassettes.

To protect their data, Spot Image and Eosat have taken different routes. Spot maintains it owns the copyright to all the raw data obtained from the Spot satellite. Customers will not, for example, be allowed to make copies for re-selling.

Distributors of the Spot information will be allowed to make copies for sale.

For each copy they will have to pay Spot a copyright fee—about 30 per cent of the raw data's cost. A computer tape containing information about a 60 km sq area will cost about $1,200 (£833).

Mr Gerard Brachet, chairman of Spot Image, says that under this arrangement distributors will have a financial incentive to sell as many copies as possible.

In selling the first copy, which the distributor will buy from Spot Image for only a little less than the retail price to the customer, the distributor makes only a small profit.

For further copies, for which the customer pays the same price, the distributor has to pay Spot Image a much smaller sum, making a total profit margin of around 70 per cent on each subsequent sale.

In most countries Spot has only one distributor but in Britain it has two—the Government-run National Remote Sensing Centre in Farnborough, Surrey, and Nigel Press Associates, a small company in Edenbridge, Kent.

The UK Trade and Industry Department insisted on this arrangement as a way of injecting competition into the remote-sensing business.

Eosat is also concerned about copying problems. As a result of agreements with the US stretching back to the 1970s, about a dozen government organisations around the world receive Landsat signals with their own earth antennas.

For this privilege, the organisations each pay Eosat $600,000 a year. They are then free to sell Landsat data at whatever price they wish. Eosat gets a small token fee on each sale.

In practice, most sell Landsat pictures for about the same price as Eosat does. A computer tape pinpointing details about a 185 sq km area with a resolution of 30 metres costs $3,300. A tape of lower-grade information (with 80 metre resolution) costs $660.

Eosat is attempting to conclude agreements with the organisations which operate the ground stations, and other users of Landsat data, under which no unauthorised copies would be made.

Under the arrangement, those who breached the rule would be guilty of an infringement of a trade agreement rather than a copyright offence.

Those handling Landsat pictures also have to comply with the US Land Remote Sensing Act of 1984. This declares that data should be made available to anyone who asks for it on a non-discriminatory basis.

This point was enshrined in the legislation to placate countries worried that information about their territories obtained from satellites could be passed confidentially to a specific customer such as an oil company.

An oil company, could in theory, gain an advantage by having access to data, about the existence of minerals deposits for example, which was denied to the country.

In the arrangements instituted by both Eosat and Spot Image, their legal rights over the data end once a customer has added value to it, for instance by processing the data in a certain way or by combining it with other information.

However, there could be legal arguments over the exact point during the "adding value" process at which ownership of the data is transferred.

Shoot the earth: the sky's the limit

THE ARCANE activity of taking photographs from outer space takes a step nearer becoming a business with the launch next week of Spot-1, a French-built satellite, which will send snapshots of the earth to a chain of five receiving stations.

The spacecraft will be operated by Spot Image, a company based in Toulouse, which is backed heavily by the French Government. It will be in direct competition with Eosat, a company in Lanham, Maryland, which last September took over the US series of Landsat earth-mapping satellites.

Although sales of snapshots from the heavens are negligible, Spot Image and Eosat think that with improved marketing they will expand the total market to about $300m (£208m) a year by 1990. Eosat is a consortium of RCA and Hughes Aircraft, two big US aerospace companies.

This figure includes sales only of raw data from space, which encompasses images of the earth coded by electronic hardware on the satellites to binary digits. The latter are transmitted to receiving stations by radio signals.

Spot Images and Eosat hope that a new industry will emerge to add value to the pictures, perhaps by combining them with other kinds of information obtained, for example, by ground surveys, which will account for annual sales between five and 10 times greater.

Customers for the data include the agriculture and forestry industries, which, with the pictures, could keep track of crop growth and the effects of pollution, and municipal authorities in both the industrialised and developing worlds which may want to monitor population spread.

The energy and materials industries are also interested in satellite pictures, which can show geological features indicating deposits of oil or minerals.

The high-resolution information available from the Spot satellite and the latest Landsat craft operated by Eosat should be especially useful to map-makers.

Aided by advanced scanning instruments on its spacecraft, Spot Image plans to sell pictures in which the minimum feature size is between 10 and 20 metres. That compares with a resolution of 30 metres offered by Landsat.

Such data should make it possible to produce maps of a scale 1:50,000 (the scale of a standard Ordnance Survey map) without the time and expense of ground or air surveys.

According to Spot Image, only half the world's land mass of 135m sq km has been mapped even to a scale of 1:200,000. And with conventional methods, revising of existing maps is taking place slowly—only 3 per cent are updated each year.

Ersac, based in Livingston, Scotland, is one of several small British companies which sell value-added information based on satellite surveys.

At full capacity each of the two sensors on Spot will produce 24m bits of data a second

Dr Colin Stove, its chairman, says the commercial prospects for both Spot Image and Eosat depend on how quickly they can send information to customers.

He says that unless purchasers can receive correctly processed information within a few days they may turn to other ways of getting the information, aerial surveys for example. The satellite information is usually sold in tapes which customer analyse on their own computers.

Before Eosat took over Landsat from the US National Oceanic and Atmospheric Administration, a branch of the Commerce Department, customers sometimes had to wait months for data about a part of the earth.

That might be far too long for, say, a government administration monitoring oil pollution at sea which wants to observe changes daily.

Delays are caused mainly by the time it takes computers at the receiving stations to process the huge amounts of information from the spacecraft.

At full capacity, each of the two sensors on the Spot vehicle will produce 24m bits of data per second, the same amount of information contained in six paperback novels of average length.

Mr Gerard Brachet, chairman of Spot Image, says that sales of data from the Spot-1, which will be replaced by a second craft later in the decade, will initially be worth between $10m and $20m a year.

That includes cash earned both by the Toulouse-based company and by the network of about 30 distributors around the world which will act as retailers of pictures, selling to customers information initially bought from Spot Image.

Mr Charles Williams, president of Eosat, says that in 1986 his company will earn about $20m from sales of Landsat data, a figure that could quadruple within 10 years.

During the time Landsat was run as a government service, sales ticked over at no more than about $12m a year. The first of a total of five Landset craft, of which two are still in service, was launched in 1972.

Both Mr Brachet and Mr Williams concede that, because of the emerging nature of the remote-sensing business, neither company could exist without strong government support. The French national space agency which has a 39 per cent stake in Spot Image, has invested $500m in the Spot development programme since 1978.

The US government, meanwhile, has agreed to fund Eosat with $250m over the next five years. This will pay for one or two more satellites and improvements to ground stations.

Cellnet claims 60% of market

AFTER its first year, Cellnet, the cellular mobile radio company set up by British Telecom and Securicor, has 26,000 customers and claims about 60 per cent of the market.

Cellnet was licensed by the Government with Racal Vodafone, which has about 20,000 users, to provide two competitive car telephone services which, because of the technical concept, have removed waiting lists for service and improved performance compared with the earlier single-transmitter systems.

Making money from the services is not simple, however, and Cellnet does not expect to be profitable until 1987. Vodafone is more optimistic and expects to be in the black before March this year. It also claims its subscribers use their systems more than Cellnet's and that it offers better speech quality.

The British services appear to be approaching profit quicker than their counterparts in the US where some operators are talking about a wait of between eight and 10 years before their businesses become healthy.

Pollution survey on North Sea

ENGINEERS AT the Harwell Laboratory of the UK Atomic Energy Authority are to conduct a survey of pollution in the North Sea. The work will attempt to pinpoint deposits from the atmosphere of heavy metals and organic chemicals.

The study, paid for by the Environment Department, is part of a programme organised by European governments to investigate problems of marine pollution caused by land-based sources.

Public Notices

NOTICE OF MEETING
TIME ASSURANCE SOCIETY
Registered Office: 80 Union Street Oldham, Greater Manchester
NOTICE IS HEREBY GIVEN that a SPECIAL MEETING of the above Society will be held at the Registered Office on Wednesday, 29th January 1986 at 9.15 a.m.
AGENDA
To adopt any or all of the following new Tables:
RAU1, RAU2 LCE1, LCE4; WL54, WL55, WL56; TA1; APPU
(Signed) D. K. REES, Secretary.

Company Notices

JAMES BEATTIE PLC
NOTICE IS HEREBY GIVEN that the 5% Preference Share TRANSFER BOOKS of the Company will be closed from the 24th to the 31st January 1986, both dates inclusive.
By Order of the Board,
R. S. TAYLOR, Secretary.
71-78 Victoria Street, Wolverhampton.

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Friday January 10 1986

Mr Heseltine's legacy

THE RESIGNATION of Mr Michael Heseltine is certain to be seen in Europe as a sign of the British Government's lack of commitment to European defence collaboration. That interpretation may well be wrong—British ministers insist that it is—but Mrs Thatcher and her colleagues will have to work hard to convince their Continental colleagues that they remain just as concerned as Mr Heseltine has been to build a more efficient, more rationalised European defence industry, capable of producing better equipment at lower cost. One of the problems underlying the Westland saga has been the lack of clarity and consistency in the Government's approach to European defence procurement. How far this reflects Mrs Thatcher's style of government or an excess of crusading zeal on Mr Heseltine's part is hard for an outsider to judge. Either way, the damage has to be repaired and a clearer policy put in place.

European defence co-operation, in its broadest sense, is an old idea which has received renewed impetus in the past three or four years, on political as well as on economic grounds. The evolution in the political climate, especially on the continent of Europe, can be put down to three main factors: the alarm felt at the East-West frost caused, very largely, by the belligerence of President Reagan's rhetoric during his first two-three years in office; the political stresses of the Intermediate-range Nuclear Forces negotiations and the subsequent Euro-missile deployments, which led the French government, in particular, to review and to some extent modify its Gaullist defence doctrine, especially in relation to Germany; and President Reagan's Star Wars programme, which raised doubts about the future reliability of the US deterrent, and anxieties in Britain and France about the future credibility of their national nuclear deterrents.

The industrial and financial arguments for moving from national to European defence procurement policies are compelling, and should not be seen as anti-American in intent. The US stands to gain from a stronger European defence industry, not only because it will provide an alternative source of supply, but because it will make European attitudes less nationalistic and less protectionist. Only if Europe can rationalise and strengthen its defence industries will Europeans be able to expect, and the Americans ready to concede, a more balanced two-way street.

What shape should an efficient European defence industry take and what should governments do to create it? It is on these issues where greater clarity and firmness of purpose are needed, not only within the British Government, but across Europe as a whole. Governments will have to use their purchasing power to influence the restructuring that is needed. That implies a degree of intervention in industrial decisions which does not sit easily with the Thatcher Government's political philosophy. Mr Heseltine, on the other hand, a long-standing interventionist in industrial policy, was prepared to use his influence to the fullest possible extent. Thus there were the makings of a clash even before the Westland affair arose.

Balance

The row might have been avoided if the policy in general and its application to Westland had been discussed in Cabinet at an early stage. It is possible to argue that the requirements of a strong European defence industry do not demand positive government intervention to prevent a British helicopter maker from forming a shareholding link with an American company. But the matter needed to be thought through and an agreed position reached. Equally, if the Government is uneasy, as some ministers are, about the anti-competitive aspects of a collaboration between all four European helicopter makers without the stimulus of external rivals, that, too, needs to be fully discussed. While a detailed blueprint for every sector is not feasible, some thought needs to be given to the balance between collaboration and competition and to the role of foreign companies as suppliers and as partners. All this needs to be taken up by Mr Heseltine's successor with his European counterparts.

Our own view is that Mr Heseltine escalated the Westland affair to an importance which it did not deserve, and in the end resignation was perhaps inevitable. Nevertheless, the departure of a man of his energy and ability is a blow to the Thatcher Government and may reinforce the impression of an administration dominated by a rather narrow group of ministers close in temperament and outlook to the Prime Minister.

Japan's tightened purse strings

THE JAPANESE prime minister, Yasuhiro Nakasone, has issued another call for concerted international action to get interest rates down. One understands why. He wants to find a way of strengthening Japanese domestic demand without weakening the Yen by lowering interest rates unilaterally, and without abandoning Japan's attachment to austerity budgets. Alas, global interest rates are not the product of game theory, they reconcile general reluctance to save with enthusiasm to borrow—attitudes which Japan most emphatically does not share.

Between now and May, when Tokyo is host to the annual economic summit of Western government leaders, the pressure is quite rightly going to mount on the Japanese Government to cut taxes, boost Japanese infra-structure spending, and generally mobilise Japan's savings within the country.

There are plenty of voices within Japan calling for Japanese economic growth based upon internal demand, rather than upon an external demand menaced by mounting protectionism. But Japanese fiscal policy is still set on a five-year-old course which was originally mapped out to eliminate the need to issue deficit-financing government bonds by 1990, without increasing taxes.

The draft budget for the fiscal year beginning in April has just been published. It has a schizophrenic feel to it as it attempts to stay loyal to this increasingly impossible aim as well as stimulate domestic demand. Thus cuts in spending on public works are matched by an impenetrable series of tax concessions and cheap loans designed to get the private sector involved in such projects. Overall, despite boosts in defence and aid spending, the 1986 budget is a deflationary one.

To express concern at this penchant for austerity is not merely to urge Japan towards fiscal irresponsibility so that someone else will pick up the baton when and if the US manages to get its own fiscal affairs back under control. Japan can afford to indulge itself. Consumer prices will rise at an annual rate of 1.5 per cent this year, and there is no upward pressure on this inflation rate in sight. Japan's public sector borrowing has been brought right down as a percentage of GNP to around 1 per cent, where it consumes only one-fifth as much of gross private savings as is the case in the US or the UK. Meanwhile Japan's rate of economic growth, ever dependent on exports, is in a downtrend—5.8 per cent in 1984, 5 per cent in 1985 and 3.5 per cent this year according to the OECD.

The Government did unveil a programme of economic stimulus last October, involving additional housing loans, public works spending, urban redevelopment and investment by utilities. It claimed they amounted to a direct boost of more than one per cent of GNP. But such Japanese reflation packages seem to have more to do with the timing of spending already budgeted for than with changes to the big picture.

What is needed in Japan is a clear cut in personal taxation coupled with measures to encourage the spending of the extra disposable income. The combination of fiscal enticement to save with meagre incentives to take out housing loans is an important example. Individuals in Japan receive interest on savings of up to $15,000 free of tax—praiseworthy in a post-war reconstruction economy but a counter-productive incentive today.

Japan has recently made important concessions to the reality of its interdependence with other countries, often less industrially competitive than itself. It is gradually opening itself to imports. It has abruptly agreed to raise domestic interest rates to make the Yen significantly more expensive for foreigners, and it seems determined to defend this higher rate. Its next move—partly to sustain the growth of the world economy, partly to ensure the growth that is beginning to evaporate at home, and partly as another blow against protectionism—must be to abandon its fiscal fixation of the early 1980s.

EUROPE'S DEFENCE INDUSTRY

When logic is not enough

By Geoffrey Owen

WHEN INDUSTRIAL companies are on the verge of bankruptcy, the desperate struggle to survive often gives rise to high drama and strong passions. What makes the story of Westland, the British helicopter maker, so extraordinary is that the drama and the passion are largely the creation of one man, Mr Michael Heseltine, who resigned yesterday as Defence Secretary.

Mr Heseltine is deeply committed to the cause of European defence collaboration. This, coupled with his long-held belief in a partnership between government and industry to promote national objectives and his antipathy to the style and many of the policies of the Thatcher Administration, led him into a position which has been variously described as brave, misguided and obsessive. What no one can deny is that the issues he raised are real and important.

He believes that, for strategic and economic reasons, Europe must have a strong, independent defence industry. This can only be achieved through government-led rationalisation both of the market, by agreeing on common military requirements, and of the supplying industry, by means of collaborative projects; each group of suppliers gains access to a larger market, and hence bigger economies of scale, than under the old pattern of separate national procurement policies.

While it will sometimes be necessary to buy American equipment on grounds of cost or performance, Mr Heseltine argues that Europe must control the manufacture of the key "platforms"—combat aircraft, frigates, tanks, helicopters—on which are hung sophisticated electronics, engines and missiles. The alternative, which he regards as completely unacceptable, is dependence on, and domination by, the US. The Americans, he argues, will always insist on protecting their own defence industry and their own technological leadership, seeing Europe as a market in which these strengths can be exploited.

The involvement of a strong US company (Sikorsky) in one of Europe's platform builders (Westland) will lead to a loss of technological independence in that company and to a weakening of Europe's position in helicopters. Thus every effort had to be made to find a European alternative to the Sikorsky rescue.

Mr Heseltine's admirers and critics would probably agree on the facts that lie behind his prescription. Although most of Europe's military equipment is designed and built in Europe, development and manufacture are spread over too many equipment types, produced in short runs at high cost. This scale disadvantage is one of the main reasons why few Europeans have broken into the US defence market in a big way. The exceptions are where the European company has a technological edge (like British Aerospace with its VSTOL aircraft) or where the US has no suitable equipment available (as with the Bita army communications system ordered from Thomson of France). But it is also true that Buy American legislation inhibits imports of foreign defence equipment. A further irritant is US rules on the transfer of technology, reflecting concern over the leakage of sensitive know-how to the Soviet bloc.

The disagreement arises over the appropriate response to these facts and over how the Westland case fits into them.

The commercial motives of the companies involved are fairly clear. Among the five members of the European consortium, MBB of Germany and Aerospatiale of France probably see their rescue offer as a way of keeping out of Europe their most powerful American rival. They can continue to survive in the helicopter market by collaborating with each other. Whether Westland (with or without Sikorsky) forms part of such collaboration is less pressing for them than for Agusta. The Italian company's fortunes are closely tied to the British company both through

the EH 101 naval helicopter project and the light-weight battlefield helicopter, the A129, which under the Heseltine plan would be merged into a larger joint project with the French and German companies.

GEC, while anxious about the possible loss of avionics business if Westland came under US control, has been keen to support Mr Heseltine's European goals. The same is even more true of British Aerospace, which owes Mr Heseltine a considerable debt for his efforts in negotiating the four-nation European Fighter Aircraft (EFA) project and wants to reinforce its European credentials.

British Aerospace also sees some technical and commercial benefits in a link with Westland, especially if there is the prospect of an assured workload for the factory in Yeovil, Somerset; BAe's VSTOL technology, for example, may become increasingly relevant at the top end of the helicopter market. More generally, Sir Raymond Lygo, managing director, strongly believes that Europe must band together to defend its high-technology industries from further erosion by the Americans and the Japanese.

Although British Aerospace has linked with several US companies—it is, for instance, trying to sell the Rapier missile to the US through Norden systems, which, like Sikorsky, is a subsidiary of United Technologies—Sir Raymond doubts whether a genuine partnership between Europe and the US is very rarely possible.

On the opposing side, Sikorsky has long been eager to strengthen its position in Europe. Its need for new markets would be all the greater if it were to lose the current contest in the US for the advanced-technology "light helicopter experimental" (LHX) programme, which could involve more than 5,000 machines. (This is a sector of the market below Sikorsky's medium-weight Black Hawk which continues to be ordered by the US.) Sikorsky, Boeing, Bell and McDonnell Douglas are all battling for the LHX contract. As for Fiat, it shares the view of other vehicle companies that defence represents an attractive market and it has made several acquisitions in this field. It has sought to buy a stake in Agusta, but so far Italian politics have ruled that out.

Critics of Mr Heseltine, including Mr Leon Brittan, Trade and Industry Secretary, do not question the desirability of European defence collaboration. Indeed, they would be happy to see a European solution for Westland if that is what the directors and shareholders prefer. What they do not accept is that the existence of a wholly UK-owned helicopter-making capacity is so crucial to the country's strategic and industrial future as to justify Mr Heseltine's tactics in trying to force through a European solution. They distinguish between helicopters and much bigger, more complex systems like the new European fighter. The latter represents a huge investment which can only be recouped over very long runs. Helicopters are needed in much smaller numbers and—if Westland went out of business—can easily be bought from other suppliers in Europe or the US.

The DTI is not indifferent to Westland's fate—it has tried to help the company over the long-delayed Indian order and in other ways—but it does not regard the company as important enough to justify either the injection of public money or political pressure on it to accept one rescuer rather than another. There is scepticism, too, over the threats of non-co-operation from the Continental companies. Agusta has already made it clear that it wants collaboration to continue on the EH 101.

Mr Brittan also worries that a crude attempt to keep Sikorsky out by bullying Westland's board will damage commercial relations with the US.

The US Administration has kept quiet about the whole affair, evidently regarding it as a minor commercial issue. US officials concerned with Nato defence procurement strongly support the goal of European defence rationalisation and accept that this process will involve some degree of exclusion of US companies. Their concern is that the exclusiveness should not degenerate into technological protectionism — it would make it harder for them to resist protectionism at home — and that the products which result from European rationalisation should be operationally compatible with those of the US. They also want to work with the Independent European Programme Group (the main inter-government vehicle for European defence rationalisation) in identifying Nato-wide projects for which European and American companies can compete.

From the British point of view, the nub of the argument among the politicians has been the link between two questions — on the one hand the future of Westland and, on the other, the structure of the European defence industry and its relationship with that of the US. Mr Brittan thinks the two questions can be kept separate, Mr Heseltine thinks they cannot.

Westland's record as a designer and builder of helicopters is not impressive. Although it has some technical strengths (particularly its know-how in composite materials for

> Most European politicians would rule out free competition—partly on strategic grounds, and partly for reasons of industrial policy

rotors and blades), most of its more successful products have been built either under licence from Sikorsky (the Sea King) or in association with the French. Its biggest weakness, according to a former Ministry of Defence official, lies in systems engineering, and that is where Sikorsky is strong. "I am convinced in that area there will be a net transfer of technology from the US if Sikorsky comes in," the official says.

Given that under either scheme Westland is likely to lose some of its technological independence, Sikorsky will probably provide the larger additional resources in managerial and technical terms.

The wider questions of defence procurement policy are much more fundamental and some of them have been obscured by the Westland debate. If governments adopted a completely rational approach to defence procurement, they would seek to buy the best possible equipment at the lowest possible price. This would not preclude inter-governmental agreements on standardisation so as to widen the market for each piece of equipment. But it would involve submitting major contracts to international competition and allowing the principles of specialisation and comparative advantage to operate. Dr Keith Hartley, an academic expert on defence, has suggested that under such arrangements the US would specialise in advanced technology aircraft and missiles, with Europe having a competitive advantage in products such as strike and VSTOL aircraft, ejector seats, electronics, engines, sub-contract work, sub-systems and small missiles. Cost savings to European governments might be of the order of 20-30 per cent.

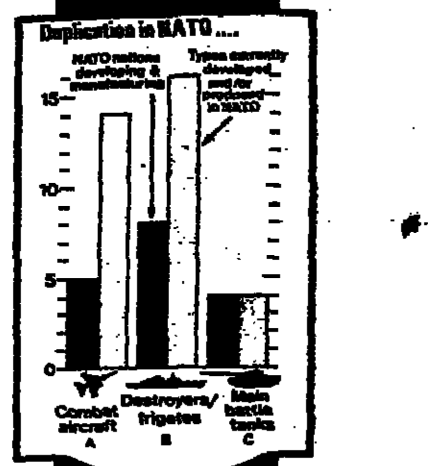
Most European politicians would rule out free competition partly on strategic grounds (the fear that one day the US might "decouple" itself from Europe) and partly for reasons of industrial policy—loss of jobs and technology. Not much effort has been made to quantify the probability of "decoupling" or the actual industrial consequences, not just for the defence industry, of free trade.

There is a deeply held belief in Europe that high technology is the key to future prosperity and that because most of the defence industry falls within that category it should be maintained and if possible enlarged. To those who argue that too much of Britain's research and development effort is devoted to defence and that countries without a large defence establishment (like Japan) have been more successful in commercial markets, the usual response is: "we already have a successful defence industry: how can we be sure that resources shifted out of defence will produce better results?"

There is, in short, a great deal of emotion, mythology and politics about defence procurement. The very fact that Westland is not now part of British Aerospace probably reflects the fact that, at the time of nationalisation, the unions at Yeovil feared that their factory might be rationalised out of existence in an enlarged group; the number of marginal constituencies in the Yeovil area is a factor which no politician can ignore.

Political pressures are, of course, just as strong in the US. There is justifiable resentment in Europe about American protectionism in defence.

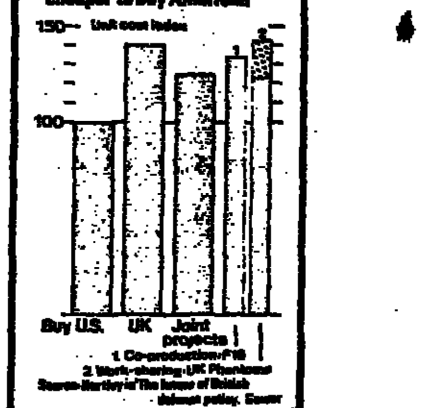
There is not going to be a sudden conversion to free trade and inter-dependence on both sides of the Atlantic. But it is important that the costs and benefits associated with particular defence procurement policies should be assessed and presented to the voters. It would be a pity if the Westland row and Mr Heseltine's resignation had the effect of polarising opinion between pro-American and pro-European factions. There is a strong case, on industrial, economic and political grounds, for more trans-Atlantic joint projects in defence. Logic might suggest, for example, that the Europeans should participate in the new LHX helicopter programme in the US. But in the world of defence contracting, as the events of the last few days have shown, logic tends to get submerged by emotion.

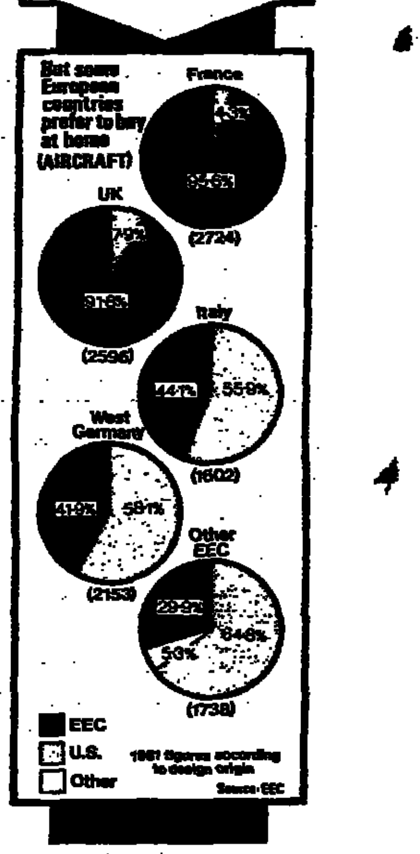


...Leads to small production runs in Europe
Typical total national output per type

	France	UK	W. Germany
A	200-400	200-400	175-325
B	2-13	8-25	4-6
C	2,000	700-800	1,800-3,600

	USA	Annual Rate output
A	1,000-2,600	900
B	30-46	20
C	7,251	760





Chris Walker

Men and Matters

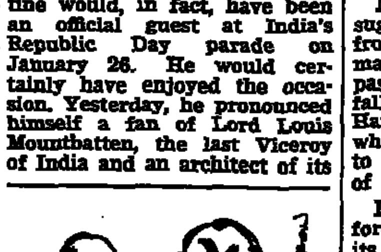
Heseltine misses parade

Had Michael Heseltine stayed in office just another 10 days, he would at least have had the pleasure of paying an official visit to India, the country, ironically, whose long delays over an expected £65m order for Westland helicopters hastened the company's slide into crisis.

Heseltine was to have gone to New Delhi a year ago at about the time that the hoped-for Westland contract was due for signature. But both his visit and the Westland negotiations were upset by the Indian Government's anger over the activities of Sikh extremists in Britain following the assassination of Mrs Gandhi.

The visit — now presumably to be made by George Younger, the instantly appointed replacement for Heseltine at the Defence Ministry — is now back on the agenda. Heseltine would, in fact, have been an official guest at India's Republic Day parade on January 26. He would certainly have enjoyed the occasion. Yesterday, he pronounced himself a fan of Lord Louis Mountbatten, the last Viceroy of India and an architect of its independence, declaring him to have been, along with Lord Stockton, the creator of modern UK defence policy.

India's intelligentsia may, meanwhile find some explanation of events in lectures by Mrs Shirley Williams in Delhi tonight and tomorrow on such apposite subjects as "the relationship between civil servants and ministers in the UK," and "the change in the nature of British politics."



"The people I feel sorry for are the scriptwriters of 'Yes, Prime Minister'"

Future star?

What sort of company does the name Navistar suggest? A high technology space group reaching to the heavens? A film production company touched with the glitter of Hollywood?

Neither of these plausible suggestions could be further from the truth. The new title masks a company which, in the past few years, has been a falling US star — International Harvester, the truck and erstwhile tractor group which had to be rescued by a consortium of banks six years ago.

Its name change was partly forced upon it by the sale of its tractor division to J. I. Case, the Tenneco subsidiary, last year. As part of the deal, Case picked up the International name and the famous IH logo, though the new Navistar retained the right to use the word International on its trucks.

The name change gives Navistar the chance to develop a new public identity, something which may be useful if it pulls itself back into a position where, as it hopes, it can diversify into new fields.

Meanwhile, Navistar says that its new title, first thrown up in a computerised search, has been well received after an exhaustive winnowing process in which the final choices were put to a mixed bag of US shareholders, advertisers, employees and customers. The whole exercise, it says, will cost around $10m.

Special post

Neil McMillan, one of that rare breed of business gurus who actually understands technology, has returned to London in triumph from an exacting mission in West Germany to rejoin his old outfit, the Department of Trade and Industry.

McMillan — a fluent German speaker — was borrowed from the DTI by Heinz Riesenhuber, the Technology Minister, to rebut charges by the Bundespost that deregulation of the post and telecommunications networks was impossible to achieve. As one of the key men behind last year's privatisation of British Telecom, he was clearly well suited to the task. But the Bundespost was not easily to be persuaded of his worth.

In an effort to halt, or at least delay, the march of deregulation, Germany's postal chiefs are said to have blinded the Technology and Economics ministries with science. McMillan's job was to peer into the glare and filter out any lies or exaggeration he found. The Bundespost resented his intrusions and complained that he ought at least to be accompanied by a German. The Briton continued to observe and report, alone.

At the end of September he even managed to present his ideas directly to a high-ranking commission set up to investigate ways of liberalising West German telecommunications. He pointed out that the BT privatisation had been a thumping success, incurring further postal wrath for his pains.

Now, with a promotion in his pocket, he is back in the corridors of Whitehall. He talks darkly of continuing his line of work back home.

Well wishers

All's well that ends well, they say. But in the case of Norsk Hydro, the Norwegian energy and industrial concern, the proof of the proverb is proving — 'well — a shade elusive just now.

Norsk's experts have discovered that a North Sea exploration well they have been drilling since mid-November is in the wrong place — 600 metres east of the position specified by the company's geologists.

Not surprisingly, no oil or gas has been found after 54 days of drilling in which the well has been sunk to a depth of about 2,500m. The mistake, says Hydro, was the result of "several unfortunate circumstances in connection with the processing of navigational data."

Now, it must choose between "deviating" the well, that is, drilling sideways towards the expected reservoir, or abandoning the dud well and starting afresh. Neither alternative will be cheap. The average North Sea well costs around £10m to complete.

Medium term

East Germany's leading Marxist economist, Juergen Kuczynsky, gazes into his crystal ball at this time each year and forecasts how badly the capitalist economies will perform in the months ahead.

He predicted 1985 would be miserable. That was right, he says —but collapse was still not imminent.

Kuczynsky's conclusions now — based on a careful reading of statistics in the Financial Times — are that the capitalist world is "full of trouble spots" but (comfortingly or not) that "cyclical crisis has not yet broken out anywhere."

In the best traditions of the forecasting fraternity, he adds darkly that the crisis can "smoulder under the surface for some time — but not much longer."

Observer

Michael Heseltine

The man who went too far

By Malcolm Rutherford

ON THE face of it, this has been a very bad week for the British Government, quite apart from the resignation of Mr Michael Heseltine as Defence Secretary. Interest rates have gone up and the December unemployment figures fail to confirm the suggestion of the previous three months that the number out of work has at least began to stabilise, if not go down.

In the longer run, those economic developments are probably much the more important. However, it is the Heseltine affair that commands the day.

To attempt to answer the obvious, if gossipy, question first: has Mr Heseltine gone to the back benches with a reasonable chance of returning one day as Tory Party leader?

It seems to me that the answer is emphatically "no." All other Ministers who have gone from Mrs Thatcher's Cabinets over the years have made a showing for a time, then faded. It was the Prime Minister who emerged the stronger.

There have been plenty of them: Mr Norman St John-Stevas, Sir Ian Gilmour, Mr Francis Pym and Mr James Prior. Nor have they all been "wets" in terms of economic policy. Other departures from the ranks of the Government have included Mr David Howell, who was Energy Secretary, and, more recently, Mr Ian Gow, the Housing Minister, who resigned over Northern Ireland. The latter were both on the economic right of the Party.

Mrs Thatcher clearly values loyalty and an ability to work with her more highly than the precise political persuasions of her colleagues. After all, both Mr Pym and Mr Prior went in the end because of their personal incompatability with the Prime Minister.

She also has acute political antennae: something which she is rarely given full credit for. Mr Peter Walker, whose political views are virtually no different from those of Mr Heseltine or of Sir Ian Gilmour, remains in the Cabinet and—significantly—chooses to stay, but is contained by being confined to the Department of Energy.

It should be added that she can be occasionally quite ruthless. One of the protagonists in the Westland affair, Mr Leon Brittan, the Trade and Industry Secretary, was replaced—much against his will—at the Home Office last September, having been promised the job for the duration of Mrs Thatcher's second term. He admits that he contemplated resigning altogether, but a voice inside him asked what would be the point.

Yet the ruthlessness is the exception, not the rule. The Prime Minister clearly wanted Mr Heseltine to stay and had gone out of her way to allow him freedom to speak his mind.

Until recently Mr Heseltine enjoyed one conspicuous advantage over other potential rebels and as a candidate for the succession. He disagreed with Mrs Thatcher frequently—over inner cities and industrial policy, for example—but he conducted his arguments in Cabinet and did not leak his dissent respected by his colleagues and favourably compared to Mr Walker who talked outside the Cabinet, but was said to be frequently silent within.

Something seemed to begin to go slightly wrong at the Tory Party Conference in Blackpool last year. Mr Heseltine had received his usual standing ovation at the Conference proper. He then went on to address a lunchtime meeting of the Tory Reform Group—the self-styled wet wing of the Party—on "Priorities for the 1990s."

The speech was a failure. Mr Heseltine went on and on about European defence collaboration, including helicopters. A junior defence minister standing beside me, sensing the embarrassment and boredom of the audience, remarked: "Michael's always been like that about Europe. It's only just beginning to come out."

Come out it has. What seems to have happened is that the European helicopter programme gradually became an obsession, a focus for all previous frustrations and the grand design of a European defence industry. His judgment slipped.

Mr Heseltine has now committed practically every sin in the Tory book. The issue on which he fought was not of shattering importance; nor was it especially clear cut. There is, after all, no absolute reason why a grouping including Sikorsky of the US, Fiat of Italy and Westland should be regarded as anti- or un-European. The workforce at Yeovil voted for it.

Moreover, Mr Heseltine went in late, and so did British industry in its attempt to back the European bid. If the survival of Westland had really been vital to Britain's defence interests, the Government—even this Government—would have rescued it months ago. Plainly it was regarded as marginal:

The Defence Secretary challenged all that. Above all, he went on too long. He turned the liberty of expression he was allowed into licence, then walked out of a Cabinet meeting. Tories, whatever their views on European defence, are unlikely easily to forgive him. The sense of proportion, essential to the Conservative approach to politics at its best, had been lost.

Yet if the outlook for Mr Heseltine looks bleak, the Government does not come out of the affair too well either. It is worth noting how often Mrs Thatcher's administrations have been embarrassed by defence policy. There has been an above average number of resignations there than in any other Department.

Mr Pym went reluctantly to Defence in 1979: he would have preferred to have been Foreign Secretary, but Lord Carrington pre-empted him. He was moved sideways when he clashed with the Treasury which was challenging the level of defence spending. Sir John Nott would have resigned at the outbreak of the Falklands War after a disastrous performance in the House of Commons if the Foreign Office team had not gone before him, and someone had to stay. He went out of politics not long afterwards.

At the slightly lower level there was the resignation of Mr Keith Speed as Under-Secretary of State for the Navy in 1981 in protest at the Government's refusal to build what he thought was enough ships. Now there is Mr Heseltine.

It is unlikely that it all happens by accident. Mr Pym and Sir John Nott left the Department in a mood of some bitterness after their constant battles with the Treasury and their discovery that, in the last resort, Mrs Thatcher would side side with the Chancellor and Chief Secretary rather than Defence Ministers. That was in spite of the commitment in the Conservative Manifesto of 1979 to increased defence expenditure.

At the heart of it is still that, after all these years, Britain's defence role is too big for the available resources. Either the resources must be increased on a long term—not year-to-year—basis, or the role must be reduced.

Mr George Younger, the new Defence Secretary, is an obvious choice in today's political circumstances. He has served at the Department before and has long let it be known that he would like to be supremo.

One bright note. Mr Malcolm Rifkind should make an excellent new Secretary of State for Scotland. He is a strong performer in the House of Commons and Tory fortunes north of the border are at present very low. It is time the Scots had a new broom. But that is about the only bright note of the week. The most frequent Tory word for what has happened is "sad." That is appropriate. Meanwhile, the question of the reorganisation of the country's defence role and resources remains unresolved.

EAST-WEST TRADE

A breath of competition

By David Buchan and Leslie Colitt

THE EAST has long had double vision about trade monopolies: Western commercial monopolies are bad because they serve the narrow interests of capitalist shareholders, while communist monopolies are good because they serve the interests of the state, and thus, by Marxist-Leninist definition, all the people.

But now the classic communist trade monopoly — the foreign trade organisation (FTO) which acts as the sole conduit for all exports and imports in its sector—is coming under fire within the Soviet bloc. The criticism stems not from any Damascus-like ideological conversion to free trade, but from a growing practical awareness that the archetypal FTO insulates manufacturing enterprises from the world market and has a lot to do with declining Comecon competitiveness.

The result is a welter of change in many East European countries. Some FTOs are being forced to compete with each other. And others have been merged or linked financially with producing companies. Larger manufacturers are sometimes being allowed to go direct to the world market. Even in the Soviet Union, where resistance to change is greatest, there is talk of switching control of some FTOs from the powerful foreign Trade Ministry to the manufacturing ministries.

The reaction of Western companies doing business with the East is double-edged. They badly want to deal direct with the end-users of the products they are selling, or with the manufacturer of the products they are buying. No matter how technically qualified FTO executives are, early participation in contract negotiations of the end-user is essential.

At a recent West Berlin trade gathering, a leading West German oil and gas pipe producer complained to Mr Mikhail Fomin, a senior Moscow trade official, that months, even years, were wasted in negotiations because of the absence of Soviet technicians who would use his product." They (the FTO officials) give us the standard specification for the equipment they want, but refuse to tell us whether it is to be used in the Arctic, tundra or desert."

SOVIET BLOC TRADING

	Foreign Trade Organisations (FTOs)†	Companies with Direct Trade Rights
Bulgaria	40	20-25
Czechoslovakia	53	25
East Germany	45	15†
Hungary	42	273
Poland	51	102 (+161)*
Romania	51	—
Soviet Union	82	—

† FTOs directly connected to individual company groups.
* Poland allows trading rights to 161 private or Polonia firms.

The reaction of Western companies doing business is double-edged

But exposing Western and Eastern companies to each other carries some short-term complications for the former. Gone are some of the old, familiar faces of career FTO executives whom Western businessmen have spent years buttering up; in come new men from the shop-floors of enterprises of whom Western firms have never heard. This changing of the guard, at the start of Comecon countries' 1986-90 plans, when Western companies hope for the upsurge in business traditionally associated with new five-year plans, is disconcerting.

Rapid organisational change, as in Hungary, can be disruptive elsewhere. Colman's of Norwich discovered this when its contract with a Budapest FTO to buy Bull's Blood wine was undermined by the wine-grower's decision to exercise his new trade right by switching its UK outlet to Hedges and Butler. More broadly, Western companies will find that erosion of Eastern FTO's traditional sectoral monopolies will make it harder to meet Comecon traditional demands for counter-trade. Whatever their faults, the wide monopolies of classic FTOs made barter (if not jets-for-jam, at least machine tool for machine tool) easier to arrange.

The current trade reforms in the Soviet bloc fall into two categories—the radical and the gradual.

● Hungary, as in other aspects of economic reform, has led the way by being the only Comecon country to let its producers choose which FTO they want to service their export/import needs, and giving a high proportion of its manufacturers direct trading rights. Poland has been almost as liberal, but others have been more cautious. The upshot is that virtually all the East European companies well known in the West—Tungsram (light bulbs) and Ikarus (buses) of Hungary, Skoda (cars) of Czechoslovakia, Balkancar (fork lift trucks) of Bulgaria, Carl Zeiss Jena (optical instruments) of East Germany—now have some form of independent trade rights. Indeed, that is partly why they have become known in the West. Only Romania and the Soviet Union still give no foreign commercial rein to individual companies.

A certain momentum has developed where reform has been introduced. Last year Mr Peter Veress, the Hungarian Trade Minister, warned he might restrict some of the trading rights then granted to 260 companies, particularly where strong foreign competition existed. However, since then, the number of Hungarian companies allowed to venture abroad, without an FTO "nanny" in attendance, has risen. Indeed, Mr Veress put the case for further trading freedom cogently when he said "obviously, the 25,000 managers and salesmen working for these 260 companies can see more of the world than the 5,000 working for the 43 FTOs."

● A more gradual approach has been pursued by Czechoslovakia, Bulgaria, East Germany and the Soviet Union. The trend here has been to tie some FTOs in with manufacturers by having representatives on each other's boards, and, more generally, to make FTOs work on financial commission, and therefore in theory harder, for producers.

The main question, however, is how far the Soviet Union, much the biggest trading partner with the West, will go. Not very far, if a recent interview in the crenellated 1930s building which the Trade Ministry shares with the Foreign Ministry on Moscow's Zubovsky Boulevard is anything to go by. Mr Yuri Balod, deputy head of the department dealing with Western countries, says: "So far, no one has proved decentralisation is better than the present system."

He notes that suggestions in the Soviet press for direct trading rights for big individual enterprises have come "from academic economists, not practical businessmen." To follow these suggestions, he hints, might create a system similar to that of the Yugoslavs' (where companies trade as they like)

The present Soviet structure, with the Trade Ministry controlling 47 of the 82 Soviet FTOs each with its monopoly speciality, is well-suited to the sale and purchase of standardised bulk commodities like oil and wheat, but ill-adapted for the export and import of complex technology. Mr Balod

A main question remains the attitude of the Soviet Union

concedes that machinery and equipment—30 per cent of total Soviet exports worldwide—form only 5 per cent of total sales to the West.

But he regards as sufficient the modest moves since 1979 to bring some FTOs closer to manufacturers by putting industry representatives on FTO boards, as in the cases of Stankoimport which trades machine tools and Aftoexport, the car sales organisation. New plans, reported to be under discussion by Mr Mikhail Gorbachev's reformers, would take this one step further and put Aftoexport under the car industry ministry. It seems that the Trade Ministry is fighting plans to chip away at its organisational hold on commerce. The question is whether it will lose out, like most of its East European counterparts.

Letters to the Editor

A Channel link

From the Managing Director, Channel Tunnel Group

Sir,—Your editorial (January 8) on the proposed cross-Channel fixed link concluded that "it seems unwise to settle for a scheme that does not include a road link" and that "the cheapest and most practical on offer appears to be that of Channel Expressway."

Recognising that the immediate reaction of many people might be that they wished to drive to the Continent, the Channel Tunnel Group, and its French partners, carried out the fullest possible examination of drive through tunnel options—among other possible solutions — before concluding (as have all other independent financial and technical authorities) that such a project was not technically viable; would not attract the necessary finance from the private sector; and would present serious problems and dangers to drivers.

It was against this background that CTG proceeded with the very detailed preparation of its submission, now before the two Governments, for a project which is fully capable of handling all forms of road traffic, together with through train services for both passengers and freight, in the safest fastest, most convenient and cost effective way for the foreseeable future.

It is our view that the cost being quoted for the Channel Expressway scheme is wildly underestimated. A road tunnel involves a much larger bore than a rail tunnel and this presents serious engineering problems requiring costly solutions. Construction times, and costs, relating to this scheme have not, we believe, been fully investigated. Moreover, the costs allocated for the construction of a twin rail tunnel appear to bear no relation to all the available evidence in this field. In short, we are confident our scheme would, in practice, prove substantially the cheapest.

It is to the CTG project that a large number of financial institutions have now fully committed all of the necessary funds, without the need for any Government loans or guarantees, having satisfied themselves, from independent sources, that it is technically sound, can be completed quickly and within budget and that it will show an appropriate return on capital within an acceptable time scale. No other scheme has its finances in place. Nor are the financial commitments made to our scheme in any way transferable to alternative schemes.

You refer to the "technical problems of ventilation" involved in drive-through schemes. You are right to do so. Under known technology the reduction of carbon monoxide from exhaust fumes to tolerable levels in such a long tunnel cannot be achieved. Also, the question of driver reaction to long tunnel journeys (well outside all experience to date) in a mix of many different types of vehicle and the high risk of accidents and breakdowns, in a confined driving area, remain, and must not be lightly dismissed. To put these problems in perspective, the Expressway tunnel is more than three times as long as any existing road tunnel.

CTG and its partners are confident their project provides the very best solution to a cross Channel link for all forms of traffic and for the foreseeable future. To say this does not rule out the possibility that at some future date, and given that the traffic volumes and new technology permit, an alternative form of road crossing could be added. It would, of course, also be necessary to demonstrate that the necessary finance was available for such a project. As of today a drive-through tunnel is neither technically feasible nor financially viable.

Michael J. Gordon.
8 Suffolk Street SW1.

Accounting standards

From Mr J. Moore

Sir, — In response to Patrick Edge-Partington (December 27), I write to offer my solution to the accounting for inflation problem which the accountancy profession and others have agonised over for some time.

At the onset I feel it necessary to point out that accountancy is not an exact science, hence the difficulty! In view of the latter, the best that can be hoped for is a logical compromise.

An organisation's turnover and costs for any period should (in an ideal world) include the inflation within that same period. I would, however, doubt if this happens, and consider it prudent to makes provision for inflation in all cases.

The provision for inflation amount necessary to my mind would be the result of a calculation which takes turnover (nett of VAT) reduced by 50 per cent of the inflation rate for the corresponding period.

Turnover is already a figure used in the calculation of VAT and should always include inflation. The provision for inflation amount when deducted from turnover (nett of VAT) will give the "actual turnover." The corresponding entry would be to transfer the "amount" to an inflation reserve account.

I regard the above as logical and sufficiently simple to be understood by all drafters/users of accounts to be considered as the solution.

John Moore.
170, Orphanage Rd, Erdington, Birmingham.

Westland's future

From the General Secretary, AUEW Technical, Administrative and Supervisory Section

Sir,—It is unfortunate that a decision on the future of Westland will be taken by the group's shareholders alone. Their exclusive job is to weigh up the different bids.

This is no easy task since Westland is inextricably linked to what is left of British industry and British technology. But they will be voting not only on the future of a single British company but also on whether Europe will have a helicopter industry in the last decade of the century.

Bids from both groups change almost daily. The shareholders however must ask two important questions. Why should an American multinational be prepared to risk hard pressed capital in order to "rescue" a small and ailing British manufacturer? Why is it so keen, that it has doubled its bid inside the space of a week?

Sikorsky has predicted that helicopter sales will double in the next decade. A large proportion will be civilian helicopters, much of these going into European markets. Westland has invested considerable resources in this field. Government support for the company could assist it to move into the new decade with confidence.

Sikorsky's record in Europe is poor. In the past seven years it has only sold forty helicopters outside the United States. Our European partners regard it with suspicion. They have experienced past American encroachment which has resulted in technological transfer, brain drain, industrial decline and increasing unemployment. Sikorsky's offer to Westland contains all of those ingredients.

If it is taken over by the Americans, Westland will lose its ability to design and will become a screwdriver-only plant assembling Sikorsky kits. Westland design leadership is recognised throughout the Continent.

The Americans are aware of this. Their strategy involves weakening European competition to the point that potential buyers will have little option but to buy American. In short Sikorsky will have reversed its poor record in Europe.

This is not the way in which the argument is being presented to Westland employees. After a year of rearguard action, the company, backed by Sikorsky, is presenting them with a fait accompli "Support the Sikorsky option" or the operation in Britain closes down. This is neither responsible nor correct.

Shareholders must look to the long term not simply at short term profitability. The Prime Minister has evaded the issue. Perhaps Westland shareholders will be equal to the task.

Ken Gill.
Onslow Hall, Little Green, Richmond, Surrey.

Changing jobs

From Mr R. Brimblecombe

Sir,—Mr I. Kenna (January 4) in referring solely to transfer values appears to have overlooked the fundamental point highlighted by Mr E. S. Thomas (December 27) that any dissatisfaction which does arise is directly related to the level of preserved benefits granted on leaving service. Under the legislation, and emphasised in the official actuarial guidance note (GN11), the transfer value is simply the cash equivalent of whatever benefits are granted and thus the higher the preserved pension the higher the transfer value will be.

Mr Kenna also refers to the fact that the guidance note gives no advice to actuaries in respect of outgoing transfers in cases where "added years" have been credited.

This is not correct as the Institute and Faculty of Actuaries was clearly particularly concerned about employees leaving pension schemes where they had previously been granted added years by payment of a transfer value from a previous scheme and there is thus specific reference to this in the guidance note.

It states that where an outgoing transfer value is under consideration in respect of a withdrawing member in respect of whom a transfer value has already been received, special care may be needed in the choice of the basis of calculation — particularly where "added years" have been credited—to ensure that the outgoing transfer value is both equitable in relation to, and consistent with, the transfer value received.

R. E. Brimblecombe.
9 Aldgate High Street, EC3.

FINANCIAL TIMES
Friday January 10 1986

Strasbourg may drop objections to reform of EEC

By Quentin Peel in Brussels

THE European Parliament looks set to abandon its outright rejection of the EEC reform package agreed by the Community leaders at their Luxembourg summit last month, and opt instead for grudging acceptance.

Such a move by the Parliament next week would allow Italy to lift its reserve on the planned amendments to the Treaty of Rome, the EEC constitution, leaving only Denmark opposed to the package.

The reforms, broadly agreed by the heads of government and finalised by their foreign ministers, would step up foreign policy coordination; speed up progress towards a genuine common market by making more rules subject to majority voting, instead of unanimity; and extend the involvement of the Parliament in decision-making, without giving MEPs a final say.

The package falls far short of the "Treaty of European Union" sought by the Parliament, which would extend the powers of EEC institutions as a whole, reduce the possibilities for veto by individual member states and grant the MEPs themselves an effective power of joint decision-making.

This week, however the Institutional Affairs Committee of the assembly – the main lobby for radical reform – agreed on a resolution to be voted next week promising to "exploit to the utmost all the possibilities" offered for parliamentary influence in the reform package.

The full assembly will still be asked to declare that the reforms mean no more than "some modest progress in a few areas of Community interest" rather than "genuine Community reform." The committee says in effect that the campaign for further reforms must continue.

The Italian Government had tied its ultimate acceptance of the reform package – due to be signed by the 12 EEC foreign ministers in Luxembourg on January 27 – to approval in both the European and Italian parliaments. If the MEPs agree, that now looks possible.

The Danish position appears much more difficult, with the opposition insisting that the reforms are too radical, rather than too modest.

Sweden tightens fiscal policy to combat deficit

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE SWEDISH Government is tightening its economic policy ambitions in the hope of strengthening public-sector finances and eliminating the persistent deficit in the current account of the balance of payments.

In its budget for 1986–87, presented yesterday, it emphasises that fiscal policy must remain tight in order to combat inflation and reduce pressure on monetary policy.

There are few indications, however, of how the Government plans to tackle Sweden's persistent problem of wage costs rising faster than in competing countries, and its hopes for a further reduction in inflation might be jeopardised by industrial conflicts in the approaching wage round.

The deficit in the state budget is forecast to fall to SKr 48.9bn ($6.4bn), equivalent to 5.2 per cent of gross national product in 1986–87. That compares with a peak of SKr 86.6bn, or 13 per cent of GNP, in 1982–83.

The deficit for 1986 is forecast at SKr 50bn, compared with SKr 55bn in 1985 and SKr 75bn in 1984. But much of the improvement has come from increased revenues after last year's strong rise in wages and consumer spending.

Public expenditure is due to increase by only 3.1 per cent in nominal terms to SKr 336bn, while total revenues in 1986–87 will increase by 5 per cent to SKr 287bn.

Last year's estimated current-account deficit of SKr 10.3bn, compared with the short-lived surplus of SKr 3.2bn in 1984, has forced the Government to adopt tighter policy targets.

Public-sector financial saving must become positive "if the current account is to reach a sustainable surplus," the budget plan says. The Government is sticking to its policy, followed over the last two years, of avoiding any net increase in state borrowing abroad.

After the crisis of confidence in the Swedish krona in May last year, in the wake of the revised 1985-86 budget, which was judged by financial markets to be too lax, the Government appears to have accepted that the scope for reducing the pressure on monetary policy and lowering the interest level, which is presently high internationally, depends very much on the degree of tightness and the credibility of fiscal policy.

After three years in which economic growth has averaged more than 2.5 per cent a year, the Swedish economy faces a slowdown this year, with the Government forecasting an expansion of gross domestic product (GDP) of 1.6 per cent, compared with a growth of 2.2 per cent in 1985 and 3.4 per cent in 1984.

The estimate for this year is more optimistic than earlier forecasts from other Swedish institutions, which have predicted growth of only 1 per cent or less.

On several other fronts, the economy is expected to perform better in the year to December, with inflation falling to 4.2 per cent compared with 5.7 per cent in 1985 and 8.1 per cent in 1984. The deficit on the current account is expected to decline to SKr 5.3bn from SKr 10.3bn in 1984 and the open unemployment rate is forecast to hold steady at some 2.9 per cent.

The budget calculations might easily be thrown into disarray, however, by the national wage round, in which the Government is implicitly seeking to impose a virtual wage freeze in the public sector.

As a result of earlier agreements, public-sector wages are already due to rise by about 6.5 per cent this year, even before the start of the new wage round.

The Government has based its forecasts for 1986 on an average increase in wages of 5.5 per cent, and has issued serious warnings that even increases at that level will further undermine the country's international competitiveness and lead to a further loss of foreign market share.

Eximbank steps up pressure over French mixed credits

BY NANCY DUNNE IN WASHINGTON

THE US Export-Import Bank has proffered its eighth bid in 11 weeks in an aggressive campaign designed to pressure the French into negotiating more limits on the use of mixed credits in export financing.

The low-cost financing offer supports a bid by Scientific Atlanta of Atlanta, Georgia, for a $13m sale of nine earth satellite stations to Gabon's Office of Post, Telephone and Telegraph. The satellites represent phase one of a project to construct a nationwide telecommunications and television system.

Eximbank officials believe the successful bidder will be well positioned to win follow-on orders for an additional 27 stations. Scientific Atlanta is competing against Thomson-CSF of France and NEC of Japan.

As with the other seven offers targeted against French companies, Eximbank expects the grant element of the bid – 25 per cent in this case – will be financed by President Reagan's proposed $300m "war chest," still under consideration in Congress.

At a press conference this week, Mr William Draper, Eximbank chairman, said he expected approval of the war chest before Congress must institute budget-cutting procedures approved under recent legislation.

So far, one of Eximbank's mixed-credit bids has succeeded – a financing offer for $35m worth of high-technology hospital equipment. The deal, won by a consortium of suppliers led by Johnson & Johnson of New Jersey, beat an offer from CGR of France. Over the past five years, French suppliers have achieved a strong position in the Brazilian hospital-equipment market through mixed-credit financing, according to Mr Draper.

In announcing the offer to Gabon, Mr Draper said he hopes to convince the French to raise the minimum permissible grant element in a deal from 25 per cent to 50 per cent. He will go to Paris on January 21 for further negotiations on mixed credits with the Organisation of Economic Co-operation and Development.

London SE plans £2m boost to its image

By Barry Riley in London

THE LONDON Stock Exchange is to launch a £2m ($2.9m) publicity campaign to boost its image during the forthcoming restructuring of London's securities markets and the parallel reform of the regulatory framework outlined by the Government's new Financial Services Bill.

It was officially described yesterday as a "programme of communications activities designed to promote a greater knowledge and understanding of the stock exchange and its role in the period of transformation that lies ahead for the securities industry."

But the exchange is understood to have turned down a proposed £6m to £8m programme aimed at promoting wider share ownership, although officials indicate that a proportion of the £2m budget will still be devoted to the wider share ownership issue.

Mr Reg Valin, of the stock exchange's advertising and public relations advisers, Valin Pollen, said that the Stock Exchange Council had been given a range of options. The budget had been approved at the council meeting last Tuesday, but the precise split between corporate advertising and wider share ownership promotion had not yet been decided.

Besides press advertising, the campaign will include the publication of booklets and a programme of lobbying during the passage of the legislation and the development of a system of self-regulatory organisations (SROs). These will police the financial markets under the supervision of the Securities and Investments Board (or its successor body).

In the past few months the role of the stock exchange in several of its existing activities has been threatened by the emergence of new SROs. For instance, the proposed International Securities Regulatory Organisation has talked of promoting a market in international equities which might draw away much business from the stock exchange.

Because money is tight – the stock exchange is already committed to spending some £17m on its new market systems, to be brought into use next October 27 when the trading methods are to be radically changed – the council has decided to devote many of its publicity resources to the corporate image campaign.

Not only were the wider share ownership proposals expensive, requiring extensive use of TV advertising, but it became clear that it would be impossible to devise a fair way of allocating those investors who responded to the campaign to individual firms.

Many stock exchange member-firms are not interested in the business of small investors, whom they find it uneconomic to deal with. But all firms would be paying their share of the overall cost of a wider share ownership campaign. The reduced campaign now planned will be aimed at the wealthy AB social classes.

A major wider share ownership campaign was also considered to be inappropriate at this stage because of continuing fiscal discrimination against direct investment in securities, such as through the imposition of stamp duty.

THE LEX COLUMN

Driving down Wall Street

The Wall Street stock and bond markets may have suffered their steepest falls in many a year, but investors can hardly complain that they have not had a good run. Even after their recent traumas, the Dow Jones is still about 200 points higher, than it was three months ago and the long bond price is up by 3½ points. The last phase of the rally in both markets had been based on expectations of a discount rate cut; when the market finally had to concede on the basis of bullish unemployment figures that this was unlikely, the bubble was pricked.

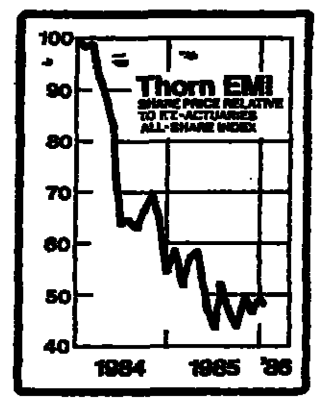
By lunchtime yesterday in New York, the long bond had fallen 3½ points in 24 hours and the Dow Jones industrial average had lost over 3 per cent. The speed and severity of the early morning fall showed up the danger of computerised dealing decisions. A sharp drop in the stock index futures set off sell instructions on everybody's software and the Dow Jones lost about 15 points in the first couple of minutes' trading.

The shakeout may not have ended. To bring back the buy instructions, the stock index future needs to stand at a much higher premium to the cash market than it had reached yesterday morning. But analysts are not about to throw themselves out of World Trade Centre windows. The unemployment figures show that the economy is recovering well, and corporate earnings this year could be set for double-digit growth. Meanwhile, corporate America has yet to reap the benefits of a weaker dollar.

If the Americans are disappointed by interest rates failing to fall, London stockbrokers must feel they have far more to worry about. After Wednesday's rise in base rates, Wall Street's behaviour yesterday was the final straw. The FT-30 index closed 17.7 down, having lost over 20 points at one stage. It is the same old January fear: if oil prices fall, a 1-point-rise may not be enough to defend the pound.

Thorn-Emi

Having thrown open parts of the store to prospective buyers, Thorn-EMI's new management yesterday took the public on a tour of some of the financial skeletons in the basement. Viewers duly tut-tutted at the mouldering remains of unallocated interest income and multiple



French insurance brokers; and while the interim results, showing pre-tax profits down from £40m to £11m, were neither here nor there on £1bn of turnover, the bulls went away satisfied that the full-year result – more or less promised at £90m – leaves Thorn on the lowly rating of 20 times earnings. The share price rose 8p to 417p, which is about a pound too much for a recovery stock.

It is encouraging that the management has a clear idea of what each business is up to; and, in the absence of the sort of broad strategy that is now quite unfashionable in the electronics sector, is running the lot for cash. However, even with the sale of the screen entertainment division and other bits and bobs and some greater control of working capital, net borrowings – the bulk short-term – will still be up at over £350m at the year-end on just twice that amount of equity. Even with the endowment of a rental business generating £70m a year, it will be hard to lift the interest burden without giving away Inmos, which even at its diminished level is absorbing £40m a year and has negative net worth. However, while recognising that it cannot afford the whole of Inmos, Thorn does not seem quite ready to abandon the potential of computers on chips and revert to the status of a consumer durable stock.

The irony is that the market rating presumes either that Inmos will somehow cease to be a deterrent to a bidder; or that full profits from rental, lighting and the others and a breakthrough in the US music business will not be sandbagged by a business losing £2m a month.

There is also the problem of Ferguson. After last year's £28m charge against restructuring costs, the television manufacturing business should turn into profit this year. But it is hard to see whether this is wholly or just very largely a function of investment in rental assets on the other side of the group. Such featherbedding is not supposed to be new Thorn style. As for the music business, its future as a profit earner depends on finding good musicians for the US labels – on which prospects the UK stock market is not traditionally the soundest judge. In contrast, Thorn's 100 per cent premium to GEC looks merely perverse.

Argyll/Distillers

The UK Office of Fair Trading has done everyone except the Distillers management a service by waving through the Argyll bid. The case for a referral on the grounds of balance sheet gearing was never strong and to have put the matter before the Monopolies Commission for any other reason would have made a mockery of the British Government's commitment to open competition.

A referral did, however, look Distillers' best hope of salvation and after yesterday's decision the group is left painfully short of defences. Last night the Distillers price was in line with the bid terms at 525p, give or take a few pence either way on the Argyll convertible, and the more important question is not whether Distillers will fall but whether it will fall at this price.

The likelihood must be that, like Guinness before it, Argyll will conclude that discretion is the better part of valour and lift its offer to ensure success. But any thought that Distillers would fetch a price close to 600p per shares must by now have been discarded.

There is even a cheeky argument for saying that the institutions should discourage Argyll from raising its terms. Since the existing Distillers shareholders would swamp Argyll's own shareholders' register come what may, Argyll could buy the whole company for a knockdown price and, so long as they took paper, existing Distillers shareholders would not be materially worse off.

If, on the other hand, a higher price is extracted, either the financial risks will increase or the institutions will be landed with a surfeit of Argyll paper. There is probably room for compromise around 550p.

Agusta chief starts talks with partners

Continued from Page 1

West Germans are concerned, future co-operation with a Westland in which the US helicopter producer Sikorsky has a stake will be severely limited.

MBB has set an absolute priority on European co-operation in helicopters and the Defence Ministry would find it politically very difficult to secure money for European projects in which Westland/Sikorsky were involved even if it wanted to.

Mr Manfred Wörner, the Defence Minister, praised Mr Heseltine as an "outstanding European politician", and also said that he and his former British colleague had cooperated "superbly."

Senior Nato officials greeted Mr Heseltine's resignation with disappointment. The influence of Mr Heseltine in conjunction with Mr Wörner was felt to have helped speed up the work of the Independent European Programme Group (IEPG) which last autumn identified six specific projects for collaboration on weapons development.

The Dutch Government expressed "deep regret" over Mr Heseltine's resignation.

Mr Jan Van Houelingen, deputy Defence Minister and the current chairman of the IEPG, issued a forceful statement describing Mr Heseltine as "one of the strong forces" for European collaboration.

In Paris, official regret was expressed at Mr Heseltine's departure.

Heseltine attacks Thatcher style

Continued from Page 1

er letter to the European consortium.

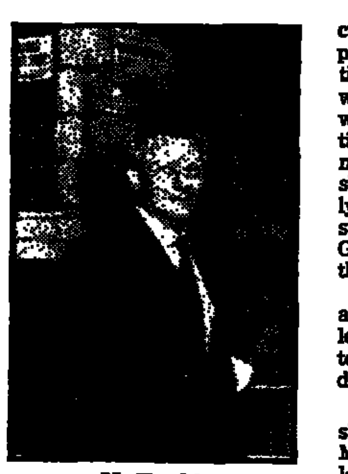
Mr Heseltine also charged Sir Robert Armstrong, the Cabinet Secretary, with being responsible for an unprecedented rewriting of Cabinet minutes as a result of the omission of his protest at the Prime Minister's refusal to allow discussion.

Downing Street officials last night declined to respond to these allegations apart from claiming that many of the points were at variance with the recollections of other participants.

Mr Heseltine also accused Mr Brittan of breaching the Cabinet agreement not to take sides between the two options available to Westland by telling Sir Raymond Lygo of British Aerospace that the role which his company was taking in the European consortium was against the national interest and that British Aerospace should withdraw. Mr Brittan's department refused to make a comment last night.

Opposition leaders last night quickly seized upon Mr Heseltine's resignation. Mr Neil Kinnock, the Labour leader, said it was "now essentially a matter of honour and duty for the Prime Minister to make a full statement to the Commons when it returns on Monday about the circumstances and manner of the resignation, about the future of Westland and the policy of the Government on clear matters of national defence and industrial interests."

Dr David Owen, the Social Democratic Party leader, said Mr Heseltine's statement was a "devastating personal indictment of Mrs Thatcher which confirms one's worst suspicions of her autocratic dictatorial style." He said she showed total contempt for democratic cabinet government.



Mr Heseltine

Mr Heseltine made clear in his statement that, while glad to serve in a cabinet within the constitutional understandings and practices of a system under which the Prime Minister is "primus interpares," there was no place for him with honour, "if the basis of trust between the Prime Minister and her Defence Secretary no longer exists."

Following the Cabinet meeting a statement was issued by the Prime Minister reaffirming the decision that it was for the country to decide what course to follow. "Cabinet discussed how this decision should apply in practice to ensure that collective responsibility was upheld. It was agreed that during this period when sensitive commercial negotiations were in progress all statements by government ministers should be clear inter-departmentally through the Cabinet Office, to ensure that all answers given by the Government were consistent with the policy decided by Cabinet."

"Mr Heseltine found himself unable to accept this procedure and left the Cabinet. The Prime Minister expressed her regret at his decision."

Mr Heseltine, sitting on the opposite side of the Cabinet table from Mrs Thatcher, apparently then collected his papers together and got up saying: "I'm very worried: it means I must leave." He then walked out shortly after 11am and crossed Whitehall to the Ministry of Defence to tell his surprised staff of his resignation.

His departure followed a lengthy discussion in which it became clear that most ministers were concerned that the wrangling was doing the Government no good and that there must be a reassertion of the doctrine of collective Cabinet responsibility. Mrs Thatcher is said to have stressed this aspect in her own remarks, during what was described as a very lively discussion.

There was no attempt to force Mr Heseltine to resign. Indeed, several ministers, including apparently Mr Norman Tebbit, the Conservative Party chairman, tried to find a way for Mr Heseltine to remain.

Group of Five ministers to meet in London

Continued from Page 1

terminated to avoid a realignment of currencies before the election.

The officials said that European Governments, and particularly West Germany, would resist calls from the US to relax their fiscal policies to help sustain the momentum of world growth.

"There is no question of European reflation. We are not unconcerned about our role but are not prepared to accept the consequences of US mistakes," one official commented.

The US administration was expected to give its assessment of progress to cut the US budget deficit.

Stewart Fleming in Washington writes: In Washington, the US Treasury refused to comment on reports of the London meeting. However, an issue which would be expected to be raised if it is not resolved beforehand is the question of who the US intends to propose as a successor to Mr Tom Clausen, the World Bank president. European governments, Japan and China are all reported to be concerned about Washington's delay in nominating a successor as the bank begins to play a more central role in tackling the developing country debt problem.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	12	54	Dubrovnik	F	12	54	Malaga	F	17	63	Salzburg	Sn	-3	27
Akrotiri	S	17	63	Faro	S	16	61	Malta	—	—	—	Seoul	S	-7	19
Algiers	S	15	59	Florence	R	7	45	Manila	S	28	82	Singapore	R	25	77
Amsterdam	C	-4	25	Frankfurt	C	0	32	Miami	C	23	73	Stockholm	Sn	-8	18
Athens	F	15	59	Funchal	C	18	64	Milan	R	3	37	Strasbourg	C	-1	30
Bahrain	S	22	72	Geneva	C	1	34	Moscow	C	-3	27	Sydney	S	25	77
Bangkok	S	29	84	Gibraltar	S	16	61	Munich	Sn	-3	27	Taipei	F	18	64
Barcelona	S	13	55	Guernsey	C	9	48	Nairobi	—	—	—	Tangier	C	16	61
Beirut	F	16	61	Helsinki	F	-13	9	Naples	F	13	55	Tehran	—	—	—
Belgrade	S	2	36	H. Kong	S	17	63	New Delhi	S	19	66	Tel Aviv	C	19	66
Berlin	S	-6	21	Innsbruck	F	-1	30	New York	F	-1	30	Tenerife	F	20	68
Biarritz	R	11	52	Inverness	C	5	41	Nice	C	8	46	Tokyo	F	9	48
Blackpool	C	2	36	Istanbul	S	10	50	Oporto	F	11	52	Toronto	C	-6	21
Bordeaux	S	10	50	Jersey	C	9	48	Oslo	S	-15	5	Tunis	F	15	59
Brussels	C	-2	28	Jo'burg	F	25	77	Paris	C	3	37	Valencia	S	15	59
Budapest	Fg	-4	25	Las Palmas	C	20	68	Prague	Sn	-5	23	Venice	R	5	41
B. Aires	C	33	91	Lima	S	24	75	Reykjavik	F	0	32	Vienna	C	-3	27
Cairo	S	25	77	Lisbon	F	14	57	Rio de J'o	C	29	84	Warsaw	C	-7	19
Cape Town	S	24	75	Locarno	C	2	36	Rome	R	10	50	Zurich	C	1	34
Caracas	C	25	77	London	C	3	37								
Casablanca	C	18	64	Los Angeles	S	25	77								
Copenhagen	C	-6	21	Luxembourg	Sn	-2	28								
Corfu	F	15	59	Madrid	Fg	1	34								
Dublin	F	10	50	Majorca	S	13	55								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

UK shares tumble

Continued from Page 1

lost 4 per cent of its value since Monday's opening, fell 17.7 points yesterday to close at 1,108.1. The gilt-edged market fared almost as badly, with indexed stocks losing a point and longer-dated conventional gilts down ⅞ point.

The pound, however, remained unscathed by the turbulence in bond and equity markets, benefiting both from the firmness of domestic interest rates and from the weakness of the dollar, which fell sharply in late trading after rumours that Arab nations might liquidate their US dollar holdings in response to the freezing of Libyan assets in the US.

The pound closed at $1.4530, up from $1.4435, and at DM 3.5550, up from DM 3.5450. The sterling index, which measures the pound's value against a basket of foreign currencies, remained above 78 throughout the day and closed at 78.2, well above Wednesday's finish of 77.9.

Analysts were arguing last night that, short of a sudden fall in the oil price, a further rise in bank base rates would not be required to defend the pound and maintain the credibility of the Government's anti-inflation strategy.

In Whitehall, officials dismissed the early rise in money market rates as a case of market jitters

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday January 10 1986

Chemical Bank hit by higher loan provisions

BY PAUL TAYLOR IN NEW YORK

CHEMICAL New York, the sixth largest banking group in the US, said yesterday that fourth-quarter net earnings fell by 7.5 per cent, in part reflecting substantially higher loan loss provisions and net loan charge-offs.

However, despite the year-on-year decline in final quarter net earnings, and a 70 per cent increase in full year loan loss provisions, 1985 net earnings advanced by 14.5 per cent.

Chemical is the first of the major US money centre banks to announce its final quarter and full year net earnings – reports which had been generally expected to set a positive tone for the US corporate results season. In the wake of the earnings announcement Chemical's share price fell by $1.25 to $45.50 in morning trading on Wall Street.

Several other smaller banking groups have already reported strong earnings growth in 1985 including Barnett Banks, the fast growing Florida-based group, which yesterday posted a 24 per cent gain in full year net earnings and a 29 per cent gain in fourth-quarter net income.

The dip in year-on-year net earnings at Chemical had been expected following a particularly strong 1984 fourth quarter. Chemical said final quarter earnings in 1985 slipped to $97.6m or $1.82 a share from $105.5m or $2.03 a share in the year-ago period.

A 45 per cent increase in the provision for loan losses in the latest quarter, which increased to $75.8m from $52.1m in the year ago period, contributed to the unfavourable year-on-year comparison.

For the full year Chemical reported net earnings of $390.2m or $7.33 a share.

At Barnett Banks, fourth-quarter net earnings increased to a record $35.6m or $1.06 a share compared to $27.4m or 96 cents a share in the year ago period. For the full year Barnett reported net earnings of $128.3m or $3.98 a share compared to $103.4m or $3.53 a share.

The earnings gains were fuelled by a 19 per cent increase in assets, which grew to $14.8bn at year end.

Rising losses force Timken to cut US salaries by 8%

BY TERRY DODSWORTH

TIMKEN, the world's leading manufacturer of tapered roller bearings, announced 8 per cent pay cuts for all its US salaried workers yesterday in a retrenchment move to combat rising losses. The company added that its senior executives would be taking salary reductions of 10 per cent.

Announcement of the pay cuts accompanied year-end figures showing losses of $3.8m in 1985 against net profits of $46.1m, or $3.91 a share, in the previous year.

The company was particularly hard hit in the fourth quarter, when its deficit rose to $11.8m, against net income of $1.5m, or 12 cents a share, in the same quarter of 1984.

Sales in the quarter fell sharply to $253m from $270m, and for the year dropped to $1.1bn from $1.15bn.

Timken held out no hope of an early improvement in profitability, saying there might be further losses in 1986. It laid the main blame for its position on weak markets and competitive pressure on selling prices.

Timken's profits have been under pressure since 1981, when its earnings peaked at $101m. In 1982 it cut its quarterly dividend from 85 cents to 45 cents, and some analysts believe the current payment is not entirely secure.

The company has been spending heavily in recent years, particularly on a new $450m steel mill, further depressing earnings through higher depreciation charges.

It said yesterday, however, that spending on new plant and equipment might decline by about half from the estimated expenditure of $180m last year.

US group to sell Muzak offshoot

By William Hall in New York

MUZAK, the world's leading supplier of "environmental music," which is heard, if not listened to, by an estimated daily worldwide audience of 100m people, has been put up for sale.

Westinghouse Electric, the US conglomerate that acquired Muzak with several cable television stations in 1981, yesterday announced that it had hired Goldman Sachs, the New York investment bank, to find a buyer for its Muzak service. The service is piped to 135,000 subscribers in the US and 15 other countries.

Muzak's managers have always insisted that they are not just selling background music and emphasise that their "exclusively recorded" product is programmed to help to increase worker productivity. With less than 5 per cent of the world's workforce listening, there is plenty of growth potential.

Westinghouse said the decision to sell Muzak fits its strategy of having its group operation concentrated on commercial broadcasting and programming businesses.

It said it had built Muzak into a strong, multi-product service company.

Muzak is distributed via 224 satellite dishes across the US as well as by cassettes, and its New York-based library has over 50,000 tunes.

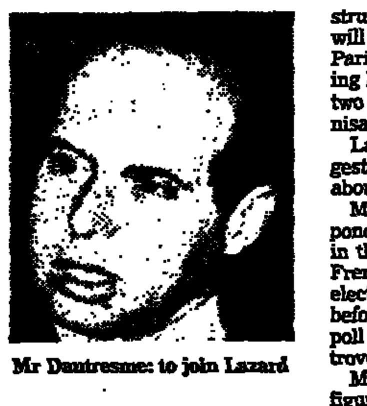
Mr Daniel Ritchie, chairman of Westinghouse Broadcasting and Cable, said he believed Muzak offered prospective buyers "a significant opportunity in today's business communications environment."

Muzak also offers foreground Music One, a satellite-distributed, contemporary music service, and Tones, an original-artist, on-location cassette service.

CREDIT DU NORD CHAIRMAN FOR PARTNER AT LAZARD FRERES

French bank chief quits

BY DAVID MARSH IN PARIS



Mr Dautresme: to join Lazard

MR DAVID DAUTRESME, the chairman of Crédit du Nord, one of the larger French banks nationalised in 1982, is leaving to become a partner at Lazard Frères, the Paris arm of the international investment banking group.

The move, potentially the most far reaching personnel change on the French banking scene in recent years, comes at a time when many French banks are reshaping their financial activities to profit from progressive capital market deregulation.

Mr Dautresme, one of the most expert financial market practitioners in France, will be taking charge of a revamped financial department at Lazards.

His nominated successor at Crédit du Nord, which he has chaired since 1982, is Mr Bruno de Maulde, France's current representative at the International Monetary Fund.

Mr Dautresme is understood to be taking a significant increase in salary on his move. His current annual earnings are just over FFr 1m ($132,000).

His departure, announced yesterday after board meetings at Crédit du Nord and its 51 per cent shareholder, the state-owned Paribas group, comes just two months before general elections in France.

The likelihood of victory by the right-wing opposition, which has promised denationalisation and further lifting of controls over French financial markets, is prompting a scramble by French bankers to prepare for new opportunities.

Lazards, which has been playing a powerful role in arranging funding packages and flotations on the booming French capital markets over the last three years, plans more hirings to boost its financial services department.

Mr Dautresme will have responsibility for funds management in French francs and currency debt instruments. Although his main job will be to build up expertise on the Paris market, he will be co-ordinating his activities in France with the two other arms of the Lazard organisation in London and New York.

Lazards is believed to have suggested the move to Mr Dautresme about two months ago.

Mr Dautresme, who has been pondering his future for some time in the light of expected changes in French banking after the general elections, preferred to make a move before rather than after the March poll to dampen any political controversy over the switch.

Mr Dautresme has been an active figure helping to set up new markets in Paris, especially in financial futures.

A key factor behind the latest move as well as a rash of changes in other parts of the French banking landscape is the expectation that exchange controls will be further loosened and perhaps abandoned after the elections.

This, as well as a series of deregulatory moves already put into train by Mr Pierre Bérégovoy, the Finance Minister, has encouraged many banks to bolster their foreign exchange and financial services departments to prepare for greater competition.

Nissan to lift stake in Spanish subsidiary

By David White in Madrid

NISSAN of Japan is to plough a further $85m into its loss-making Spanish commercial vehicle subsidiary, Motor Iberica, raising its stake to more than 90 per cent.

The Spanish offshoot said a special shareholders' meeting had been called for January 24 to approve a 50 per cent increase in capital to Pta 39bn ($255.2m).

As in previous increases, the burden is likely to be met almost entirely by the Japanese parent, which first took a stake in the Barcelona-based company in 1980 in the wake of a pullout by Massey-Ferguson.

Nissan is estimated to have already spent about $200m on the operation.

Motor Iberica said the new capital injection implied "a considerable strengthening" of its financial situation and was aimed at enabling it to take on the challenge of the EEC, which Spain joined on January 1.

Results for 1985 have not been revealed, but the company was hoping to reduce the Pta 9.6bn loss registered in 1984. Provisional figures for 1985 sales show a rise of 26 per cent to Pta 65bn, including a 32 per cent growth in exports.

French agency plans to float

BY OUR PARIS STAFF

CREDIT d'Equipement des Petites et Moyennes Enterprises (CEPME), the French state-backed small business financing agency, plans to boost its capital considerably and eventually float its shares on the bourse.

The move, announced yesterday by Mr Jean-Pierre Aubert, chairman, is in line with the agency's aims to expand further its lending activities while increasing profits.

The CEPME, set up five years ago to regroup three existing state backed institutions, has about FFr 100bn ($13.5bn) in loans outstanding to 215,000 small businesses around the country.

In line with the Government's gradual move to phase out subsidised interest rates in industry lending, the CEPME is slowly increasing the proportion of market-related loans in its portfolio.

Mr Aubert said the agency planned to boost selectivity in lending to guard against risks from bad debts. These have hit profits in the last few years, with last year's earnings expected to have been sizably lower than FFr 48.6m in 1984.

The CEPME is an active borrower on domestic and foreign capital markets. Mr Aubert said the agency was looking to raise its capital by FFr 350m to FFr 500m in one or two steps. He said all the main existing shareholders – the Banques Populaires group, the Caisse des Dépôts et Consignations, the Government and commercial banks – were expected to subscribe

Philips sales rise Fl 6.2bn

PHILIPS, the Dutch electrical group, boosted sales to nearly Fl 60bn ($21.7bn) in 1985 from Fl 53.8bn in the previous 12 months, but net profits fell in line with forecasts from Fl 1.11bn in 1984.

Mr Wisse Dekker, group president, said in a new year speech that exact profit figures were not yet available. The decline, as forecast in November when the group announced a drop in third-quarter results, was largely due to lower US sales and profits. · Reuter

Manuli in stake buy-out

By Alan Friedman in Milan

MANULI, the Milan-based cables, adhesives, plastic film and rubber products group, has bought complete control of the 50-50 joint venture it established in 1973 with the US Uniroyal group.

Although neither company would disclose the purchase price for the stake in Uniroyal-Manuli, a manufacturer of high-pressure rubber hoses, it is believed that the Italian company is to pay around $15m–$20m.

Mr Mario Manuli, chairman of the group, said that Uniroyal had offered to sell out its 50 per cent to raise funds to pay off bank debts connected with its own recent leveraged management buy-out. Uniroyal's management bought the group after Mr Carl Icahn, the Wall Street speculator, failed in a takeover attempt.

Uniroyal-Manuli, which sells its rubber hose products to the petroleum and engineering industries, last year had a turnover of L120bn ($72m) and net profits of L4bn. The joint venture company employs 800 workers at its factory in the south of Italy and 200 staff at its assembly and distribution offices in France, West Germany, the UK, the Netherlands, the US and Singapore.

The Manuli group had a consolidated turnover of L316bn ($190m) in 1984 and a net profit of L18.5bn.

The group is owned by the Manuli family except for 25 per cent of Manuli Cavi, the cables division, which last August obtained a quote on the Milan bourse.

Otis may form joint venture in Finland

BY OLLI VIRTANEN IN HELSINKI

OTIS, the US world leader in lifts, could start production in Finland if talks with Valmet, the state-owned metal and engineering group, prove successful.

The two companies may set up a joint venture. A final decision on the deal – which could involve Otis taking a stake in Valmet – depends on the Finnish Trade and Industry Ministry.

Valmet says talks about "co-operation in lift manufacturing" are under way. Valmet makes 200–300 lifts a year under a licensing agreement with Schindler, the Swiss company, for the Finnish market where Valmet has a 30 per cent market share.

Valmet says the talks with Otis are aimed at ensuring continuity for its lift manufacturing. A joint venture would also open up export markets for Valmet.

Otis has been attempting to penetrate Finland since the early 1970s by buying independent Finnish lift service companies. Last year it established a subsidiary in Helsinki.

The Finnish Ministry for Trade and Industry has still to decide whether to allow a foreign company to buy into a Finnish state-owned group. The move would be unprecedented for Finland.

However, the ministry has frequently emphasised recently that state-owned companies must operate in the same business climate as private companies.

Valmet's turnover in 1984 was FM 8bn ($1.1bn).

Talks to start on Pripps sale

BY DAVID BROWN IN STOCKHOLM

THE SWEDISH Government will begin negotiations early next week aimed at selling its 75 per cent stake in Pripps, the country's leading brewery with annual sales of SKr 2.5bn ($328.9m).

Volvo, the automotive and diversified industrial group which already holds a 25 per cent stake in Pripps with a book value of SKr 130m, is understood to be a leading contender,

The Pripps operation would complement Volvo's existing food business, which already holds dominant domestic market shares in such areas as mineral water, processed herring and french fries, with annual sales of SKr 5bn.

Procordia, the state-owned holding company, has also been mentioned as a possible buyer.

However, Mr Bert Ekström, Under Secretary of Labour, said yesterday the negotiations will be conducted in the first instance with Volvo.

During the period of Government ownership – which began in 1975 and was conceived as a link in the alcohol policy chain aimed at changing Swedish drinking habits – Pripps has seen a decline in both market share and results.

The group controls about 50 per cent of both the beer and soft drinks markets in Sweden.

Brown Boveri to increase hold on unit

By Jonathan Carr in Frankfurt

BROWN BOVERI, the Swiss electrical engineering group, is now certain to achieve its aim of raising its stake in its West German subsidiary from 65 to 75 per cent – thus giving it closer control over the enterprise.

The Swiss concern announced last month that it planned to boost its holding in Brown Boveri Mannheim, as part of a reorganisation of its activities worldwide.

Trading in Brown Boveri Mannheim shares was suspended at DM 298 ($129) a share, and the parent offered minority holders a price of DM 310.

Dresdner Bank said yesterday that as a result of the offer 25 per cent of the equity had been advanced for sale – of which Brown Boveri would take 10 per cent.

The transaction is understood to be costing the group around DM 100m including bank and other fees.

Consolidated net earnings of the group are believed to have risen last year, but not by as much as in 1984, when Brown Boveri posted a SFr 85m ($40.7m) net profit. An unspecified loss was reported for 1983.

INTERNATIONAL COMPANIES AND FINANCE

Sulzer to boost capital spending by a third

BY JOHN WICKS IN ZURICH

SULZER BROTHERS, the Swiss engineering concern, intends to spend a total of SFr 270m ($129.5m) on group-wide capital investments this year.

That is more than a third above the SFr 200m figure booked for 1985. In the two previous years, investments programmes were kept modest – SFr 98m for 1983 and SFr 140m for 1984 – because of what the company called the "uncertain development of the market."

The 1986 investments are aimed at further rationalisation on the shop floor and in the clerical sector and a corresponding improvement in competitive ability on the world market.

Large projects will be a further reorganisation of loom manufacturing and the concentration in Oberwinterthur of stainless steel components production.

Group expenditure on research and development will be raised by some 13 per cent to SFr 188m this year.

To consolidate its position in surface-treatment technology, Sulzer has taken over Alloy Metals, a $10m-turnover company based in Troy, Michigan. The company produces plasma-spraying powders based on nickel and cobalt.

Alloy Metals will work closely with Plasma-Technik, of Wohlen, a Swiss company active in the same sector, which Sulzer acquired last year.

Thyssen unit cuts dividend

THYSSEN AG's special steels arm, Thyssen Edelstahlwerke AG, is cutting its profit transfer to the parent company to DM 22m ($8.9m) for the year ended September 30 from DM 48m a year earlier, Reuter reports from Düsseldorf.

Mr Karlheinz Roesener, managing board chairman, said that world group pre-tax profit had fallen to DM 77m in 1984–85 from DM 107m a year earlier despite a rise in turnover to DM 3.8bn from DM 3.4bn.

The fall resulted from a substantial increase in materials costs, due largely to the dollar's strength last year, which was not fully offset by higher selling prices.

Mr Roesener said that after last year's unsatisfactory results Thyssen Edelstahl expected continued good sales this year. But he was less optimistic about prices although he hoped for a 5 per cent rise.

KKR seeks to alter terms of $6.2bn bid for Beatrice

BY WILLIAM HALL IN NEW YORK

KOHLBERG Kravis Roberts (KKR), the New York investment bank, is seeking to modify the terms of its $6.2bn bid for Beatrice, the US food and consumer products group, leading to speculation on Wall Street that the biggest leveraged buy-out in US corporate history is running into difficulties.

KKR, which in mid-November announced that it had reached a definitive merger agreement with Beatrice, has proposed reducing the cash element in the bid from $43 a share to $40 a share and increasing the paper element from $7 a share to $10 a share.

News of the proposed modifications, which have to be agreed by the Beatrice board, led to a $4 drop in Beatrice's shares in heavy trading on Wednesday. In early, active trading yesterday, Beatrice's shares fell a further $⅛ to $43¾.

In order to win Beatrice, KKR had to sweeten its original offer twice and there has been considerable speculation in financial circles about the aggressive final terms of the leveraged buy-out.

Last month, KKR announced that its bankers and other financial institutions had agreed to provide $6.8bn of financing for the leveraged buy-out.

KKR made its first bid for Beatrice in mid-October when it offered $45 a share, consisting of $40 a share in cash and the balance in paper. It raised its bid to $47 a share and then $50.

KKR refused to explain the reason for modifying the terms of its Beatrice bid, but observers close to the investment bank emphasised that it did not reflect uneasiness among KKR's financial backers.

They insisted that KKR was not running into the same sort of financial obstacles that have plagued Mr Carl Icahn in his bid to take over Trans World Airlines.

● Mr Harold Simmons, the Texas investor who has bid for Sea-Land, stepped up the pressure on the shipping group by lifting his stake from 34.8 per cent to 39.5 per cent, writes Our Financial Staff.

Mr Simmons said in a filing with the US Securities and Exchange Commission (SEC) that he and his companies bought 1.1m Sea-Land shares on Wednesday in private transactions, paying $27m or $24.75 a share.

The suitor's stake is now just below the 39.9 per cent at which a shareholder rights plan designed to thwart a takeover would be activated. The poison pill rights offering entitles holders other than the shareholder triggering the rights to buy $80 worth of Sea-Land stock for $40.

The shipping group said that it planned to distribute certificates relating to the poison pill as soon as practicable on or after January 23

DAIWA EUROPE LIMITED

JAPANESE EQUITY WARRANTS SERVICE

ISSUER—Warrant expiry date	Current Market Prices: Wrnt BID (%)	Wrnt OFFER (%)	Share Price (Yen)	Offer Calculations: Premium (%)	Gearing	Parity (%)
AICA KOGYO 17/8/90	25.50	27.00	725	19.74	4.49	3.05
AJINOMOTO 3/12/90	31.50	33.00	1,180	27.34	3.19	4.20
CASIO COMPUTERS 6/3/89	53.00	54.50	1,750	4.89	2.98	40.57
C. ITOH (NEW) 4/5/88	46.50	48.00	447	8.80	3.07	35.32
C. ITOH (OLD) 20/1/87	62.00	66.00	447	21.18	2.23	34.86
DOWA MINING 20/7/90	18.50	20.00	555	61.32	4.29	−32.63
FUJIKURA CABLE 28/4/89	24.50	26.00	380	32.57	3.99	−7.78
GUNZE LTD 23/11/90	28.00	29.50	630	29.73	3.38	−0.16
HAZAMA GUMI 1/11/89	12.50	14.00	366	43.12	6.80	−27.05
JAPAN SYN RUBBER 28/4/89	20.00	21.50	436	21.43	5.10	−2.01
JUSCO 22/12/88	103.00	108.00	1,050	3.95	2.02	99.80
KAYABA INDUSTRIES 15/2/89	29.00	30.50	298	18.64	4.08	7.43
KOKUSAI KOGYO 19/9/90	31.00	32.50	2,080	17.41	4.01	9.78
KOMORI PRINTING 20/12/89	33.00	34.50	2,080	28.18	3.80	1.98
MARUBENI 30/9/92	22.50	24.00	340	35.20	4.43	−13.46
MARUZEN 12/2/90	32.00	33.50	579	15.73	4.19	11.44
MINEBEA ($) 20/2/89	59.00	64.00	676	74.62	1.61	−12.97
MIT CHEMICAL 20/1/87	100.00	105.00	517	19.92	1.72	69.07
MIT CORPORATION 7/11/88	38.50	40.00	611	9.98	3.56	25.84
MIT ESTATES 16/10/92	39.50	41.00	1,130	34.77	2.70	2.54
MIT GAS & CHEM 20/3/89	33.00	34.50	369	15.79	3.64	14.65
MITSUI E/S (NEW) 15/10/88	12.00	13.50	137	36.95	6.98	−21.32
MITSUI E/S (OLD) 10/12/87	24.00	28.00	137	27.98	4.52	−6.86
MIT METAL (OLD) 10/2/88	91.00	96.00	585	51.06	1.46	24.40
MIT METAL (NEW) 10/11/89	14.50	16.00	585	40.49	6.03	−23.04
MITSUI PETROCHEM 15/2/90	44.00	46.50	451	13.91	3.37	24.16
NIPPON MINING (OLD) 17/3/89	99.00	104.00	380	46.55	1.41	35.58
NIPPON MINING (NEW) 16/6/90	16.00	17.50	380	43.25	5.64	−25.21
NIPPON YUSEN KK 18/10/90	20.50	22.00	316	39.21	4.23	−14.47
NISSHO IWAI 1/2/89	26.00	27.50	285	21.62	4.30	2.07
NOMURA SECURITIES 31/10/88	74.50	76.00	1,040	11.65	2.25	66.06
OHBAYASHI GUMI 5/4/89	64.00	66.00	360	9.22	2.41	62.87
OMRON TATEISHI 31/3/89	14.00	15.50	1,450	76.33	4.55	−40.23
ONODA CEMENT 28/2/90	20.00	21.50	318	29.50	5.41	−12.79
OPTEC DAI-ICHI 23/2/90	36.00	37.50	680	25.13	3.54	4.10
OSAKA TRANSFORMER 29/1/90	33.00	34.50	532	22.86	3.78	4.66
RENOWN 24/1/89	19.50	21.00	710	29.77	5.02	−10.40
RICOH 20/9/90	39.00	40.50	1,010	17.93	3.38	15.98
RYOBI LTD 25/6/90	28.00	29.50	400	28.79	4.03	−4.76
SEINO TRANSPORT 17/3/89	36.50	38.00	1,350	13.66	3.42	20.24
SEIYU STORES 20/3/87	79.00	84.00	1,070	1.75	2.33	80.58
SEKISUI CHEMICAL 20/9/90	56.00	57.50	640	18.79	2.61	29.31
SONY CORPORATION 26/4/90	27.00	28.50	4,000	36.95	3.98	−13.25
SUMI CONSTRUCTION 24/3/89	60.00	64.00	271	12.58	2.45	44.32
SUMI HEAVY 24/2/89	20.50	22.00	205	28.28	4.88	−8.39
SUMI REALTY (NEW) 13/12/90	39.00	40.50	1,150	22.97	2.84	14.09
SUMI REALTY (OLD) 21/11/89	145.00	146.50	1,150	−0.18	1.84	146.88
TOKYO ELECTRIC 14/3/89	19.50	21.00	1,200	37.84	4.72	−16.53
TOKYO SANYO 8/6/87	164.00	168.00	600	74.83	0.98	44.50
TOKYU CORP (OLD) 29/1/90	105.50	107.00	803	−0.15	2.18	107.35
TOKYU CORP (NEW) 29/10/90	31.00	32.50	803	32.18	3.28	−1.58
TOKYU DEPT STORES 20/7/90	49.00	50.50	642	10.82	3.11	33.80
TORAY INDS (OLD) 5/3/87	32.50	34.00	512	13.66	3.87	16.03
TORAY INDS (NEW) 10/12/90	24.50	26.00	512	30.84	3.70	−3.78
TOYO ENGINEERING 28/2/89	57.00	61.00	820	25.42	2.31	25.16
YAMAMURA GLASS 8/5/90	16.00	17.50	405	44.17	5.58	−25.63
YAMATO KOGYO 29/1/90	17.00	18.50	555	27.98	6.12	−13.07
STERLING DENOMINATED WARRANTS						
MINEBEA (£) 15/3/90	47.00	51.00	676	52.13	1.96	−1.03

Reuters Monitor DABF/G/H/I/J/K/L—Further information from: Freddy Glock, Beverly Kelly or Edward Cartwright on 01-236 6060 Daiwa Europe Limited, 14 St Paul's Churchyard, London EC4M 8BD

INTL. COMPANIES & FINANCE

Rupert Cornwell on the solid base of Germany's leading publisher

Springer's heirs prosper

COMPARATIVELY FEW are the monarchs who manage successfully to ensure that their wishes are for long respected beyond the grave. But Axel Springer, the late West German press magnate, bodes well to be one of them.

Mr Springer, who after the war built up what is today Europe's largest newspaper and magazine empire from next to nothing, died last September. But in the 12 months before his death he pushed through a series of measures to preserve both the independence of his group and its financial well-being—conceivably into the next century. And as a first report this week on the post-Springer era at Springer shows, the package appears to be working out exactly as its author intended.

"We are a fundamentally healthy and highly profitable concern," declares Mr Peter Tamm, chief executive of Axel Springer Verlag, the master company which is now a publicly quoted stock. He was presenting the figures for the first half of 1985—the last, if partial, year of the old regime.

During that period, sales of the group rose 3 per cent on a comparabel basis to DM 1.24bn ($500m), while net earnings reached DM 25.6m. For the second six months, profits will be "clearly hgher," while Springer's new shareholders will receive a dividend of DM 6 per share.

Yet this on its own is not enough to explain the confidence and assurance radiated by a group whose interests stretch from the mass circulation Bild Zietung (daily sales of over 5m) to a host of other papers, including the upmarket conservative Die Welt. It also owns magazines, the Ullstein publishing house and a substantial printing division.

To a large degree the solid prospects of Springer arise from the three decisions taken by the "old man"—as he is still universally referred to in the group's 19-storey headquarters overlooking the Berlin Wall—in that last year of his life. They in turn were the product of an awareness of his own mortality.

The quest began in 1980, shortly after the suicide of Axel Springer Jnr, a tragedy which was not merely personal, but which deprived his father of the natural crown prince within the family. A subsequent attempt to find a solution, by selling a controlling interest to the Swabian publishing house of Burda, foundered on the refusal of the West German Cartel Office to countenance the deal.

In 1983 Burda had to content itself with the purchase of just 24.9 per cent of Axel Springer Gesellschaft für Publizistik AG, then the Springer master company. Mr Springer himself kept the remaining 75.1 per cent leaving the basic problem unresolved: how to avoid huge death duties and the possible passage of the group into hostile hands.

In early 1985 however, the 73-year old publisher, by then in declining health, found the answer he was looking for. It took the form of a public placement of 49 per cent of Springer shares, and the operation was a huge success, even by the standards of the now buoyant West German stock market.

The issue, involving some DM 83m of the DM 170m capital of Axel Springer Verlag, was five times oversubscribed in the first two days of the offering at the end of June. In all DM 558m of fresh funds were raised, enough to cover the problem of death duties—and more besides—for the foreseeable future.

Shrewdest of all, the new shares, snapped up by some 7,000 shareholders in the first ever genuine public quotation of a German newspaper and publishing house, were designated as "tied" or registered shares, which could not be sold on without prior approval of Springer itself.

To cement the point, Axel Springer also made sure that an 80 per cent majority was required to overturn the controversial four principles by which every journalist in the group is bound: commitment to the peaceful reunification of Germany, to reconciliation with the Jews and the defence of Israel, to the free market and to the fight against "totalitarianism in all its forms."

Finally, as a third precaution, Springer provided in his will, read last October, that his heirs—his widow, a younger son, and two grandchildren—could not break up his assets (above all the key reseidual 26.1 per cent of the publishing house itself) for 30 years.

Mr Axel Springer: measures to preserve independence

Fujitsu sees sharp decline

TOKYO — Fujitsu, the Japanese computer group, and its 113 subsidiaries and affiliates are expected to suffer a large net profit decline in the 1985 business year ending in March, company executives predicted yesterday.

Consolidated sales are likely to reach Y1,710bn ($8.4bn), up 9 per cent from a year before, but net profit is expected to decline 45 per cent to Y49bn, the first drop since consolidated reports commenced in 1977. Profit per share is also expected to fall, from Y6,851 a year ago to Y34. *Kyodo*

KLSE plays down cost of forward contracts

BY WONG SULONG IN KUALA LUMPUR

THE difficulties of Malaysian stockbrokers caught with forward share purchase contracts may be less serious than originally feared, and their exposure at this stage could be less than 100m ringgit (US$41m), according to Mr Nik Mohamed Din, the newly-elected Kuala Lumpur Stock Exchange chairman.

This figure, compiled by the KLSE, is, however, at variance with a higher figure—believed to be in excess of 200m ringgit—obtained by the Malaysian Government's Capital Issues Committee.

Mr Nik Din said the difference arose because the KLSE used December 20 as the cut-off date on the outstanding forward contracts, while the CIC used November 29—the day before the Singapore and Malaysian stock markets were suspended for three days because of problems arising from the Pan-Electric Industries crisis.

It is believed that many forward contracts, worth as much as 80m ringgit, have been unwound in the past few weeks as they matured. Verification of the exact amount of forward contracts still outstanding will be possible only in two weeks' time, after the KLSE and CIC have consulted with their respective counterparts in Singapore.

Unlike Singapore Brokers, who have accepted a S$180m (US$85m) lifeboat from banks to cover their exposed forward contracts positions following the Pan-Electric crisis, there is still controversy among Malaysian brokers as to the need for such a rescue line.

Weak rand helps boost Gold Fields mines' profits

BY KENNETH MARSTON, MINING EDITOR

RECORD PRICES for gold in terms of the weak South African rand have boosted December quarter earnings of the mines in the Consolidated Gold Fields group by 31 per cent to a total of R273.4m (£76.5m or $110m).

The average gold price received by the mines has risen 22 per cent from the September quarter level to R27,170 per kilogramme. At the same time, the average increase in working costs has been held down to 3 per cent at R78.59 per tonne of ore milled following a rise of 4.5 per cent in the previous three months.

The best profits showing is made by the relatively low grade and high cost Venterspost, which has benefited particularly from the gearing effect of a 23 per cent increase in its gold price. At pre-tax level profits have climbed to R9.78m from R3.28m in the previous quarter while a sharply higher tax charge has left net earnings doubled at R5.4m.

Deelkraal also shows up well. This young mine, which has yet to enter the tax net, has almost doubled profits with the help of higher gold production following an improvement in the ore grade, and has also held costs in check after the increase seen in the September quarter.

Net profit increases of the order of 27 per cent have been achieved at Kloof, Driefontein and Libanon, mainly in line with the higher gold prices obtained. All have paid increased tax, notably Libanon with a more than doubled liability, which partly reflects a fall in the tax-offsetting capital expenditure.

Again, higher gold prices have boosted earnings of the marginal Vlakfontein, which treats surface dump material with a gold grade of only 1.3 grammes per tonne. The only disappointment comes from Doornfontein, which again reports little change in quarterly earnings as a result of a further rise in tax coupled with a reduction in the gold ore grade.

GOLD MINE NET PROFITS

	Dec qtr R000	Sept qtr R000	June qtr R000
Deelkraal	27,452	13,911	12,802
Doornfontein	18,381	18,264	18,299
Driefontein	130,355	102,549	122,207
Kloof	74,350	58,080	57,813
Libanon	16,170	12,724	13,737
Venterspost	5,400	2,823	3,427
Vlakfontein	1,213	764	643

INTERNATIONAL COMPANIES and FINANCE

UK building societies have enlivened the FRN sector, reports Maggie Urry

How Eurobonds could end mortgage queues

A NEW CLASS of borrower—British building societies—has enlivened the Eurosterling floating rate note market, a sector of the Eurobond market which was developing only slowly. A government decision to allow the societies to pay interest gross on Eurobonds from April 6 this year has enabled them to launch issues.

"The advent of the building societies has brought a new interest to the sterling floater market," says one market maker. New players have come in and there are now more than a dozen houses making markets in the societies' issues. In turn new investors have been wooed by the banks, which have paper to place.

Since the first building society issue was launched in September, for the Halifax, £1.32bn worth of deals have appeared with a further £150m of taps available. These borrowers make up about a quarter of the £4.5bn sterling floater sector.

Eight societies have made issues, and this week the Halifax became the first to return to the market with a second deal.

The attraction to the building societies of borrowing through the Eurobond market is clear. Until now the societies have been tied to short-term funding for long-term lending—an uncomfortable mismatch. Through the bond market debt can be raised with maturities of seven years—the average life of a mortgage—or even longer. The Abbey National went as far as 15 years with its £150m issue.

Funding costs can also be lower than from retail deposits. The competition for savers' money has hotted up in the high street, making this source of funds still more volatile, sometimes leaving the building societies unable to meet mortgage demands, and forcing them to offer higher interest rates through special accounts. Investors have become more sophisticated and are prepared to switch their money around to improve their returns; the marginal cost of funds can be very high.

Some of the higher interest accounts pay around 3 points more than ordinary share accounts on a grossed up basis. Ordinary share accounts have been dwindling as savers moved to the higher yielding investments, and these cheap funds now constitute less than 30 per cent of balances. Further, the administrative costs of attracting retail deposits add another ½ to 1 percentage point while the management cost of raising wholesale funds is nearly nil, according to the Building Societies Association (BSA). Thus the cost of raising extra funds from the retail market is higher than borrowing wholesale, as well as offering less flexibility on timing.

That is not to say that the building societies floaters' are ungenerous to investors. Most of the issues have coupons fixed at a margin of ⅛ per cent above three-month London interbank offered rate (Libor), a higher cost than the societies might pay in the certificate of deposit market which was opened to them in 1983.

Investors with access to funds at the interbank bid rate (Libid) can lock into a profit. The societies are also top-class credit risks. As Mr David Llewellyn, professor of money and banking at Loughborough University, points out the building societies are mutual institutions. This legal status "means that wholesale borrowing ranks higher in the balance sheet than the dominant source of retail funds," he says.

Further the societies' losses on mortgage lending are tiny. BSA figures for 1984 show that the total provision for mortgage losses was £3.8m compared to a year end portfolio of mortgages of £81.9bn.

International investors have been slow to grasp what building societies are. Some believe them to be building companies and others associate them with the US savings and loans associations which are often less good credits. The societies and their advisers have sought to educate investors through presentations made all over Europe. There has been some interest from abroad, with Japanese and Middle Eastern investors prominent. But as well as the foreign investors the building societies' floaters have brought in UK-based investors who have not previously been interested in the Eurobond market.

UK corporate treasurers with liquidity to invest have been successfully courted by the banks involved, mainly the British banks, and also discount houses and money brokers which have made a play in this market. These investors have been significant buyers of building societies' paper; according to some estimates, as much as half the paper issued has gone to them.

The ease with which paper has been absorbed so far should encourage more issues. There are probably only another four or five societies which are considered large enough to come to the Eurobond market. Although there is no set limitation on size of issuers, there is an informal guideline that only societies with assets of £2bn or more should come.

There is also some restriction on the building societies' use of wholesale funding. At present the societies must discuss their plans with the Registrar of Friendly Societies, particularly if they wish to raise more than 5 per cent of their liabilities through the wholesale market (which includes CDs and syndicated loans), as many have done. Under the new legislation for building societies, an initial maximum of 20 per cent of liabilities will be set, and the Registrar will be able to increase that to 40 per cent but no further.

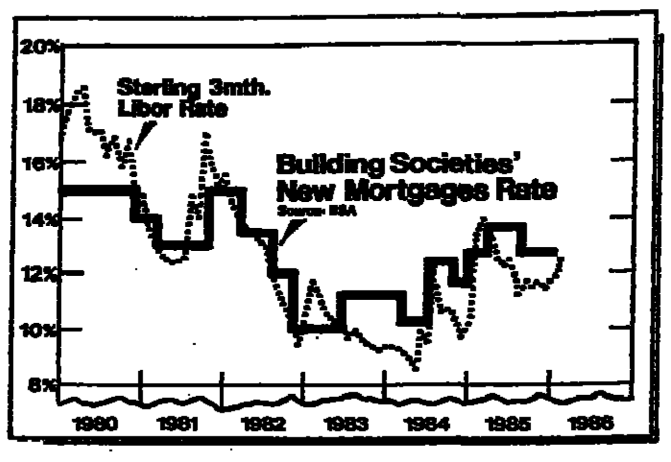
This still leaves plenty of scope for the large societies to raise more money. Bankers believe that the market could easily take another £2bn worth of issues a year, as long as they are correctly priced and timed. Even greater amounts could be raised if market conditions were good, and the societies are likely to raise as much again through other wholesale instruments.

Traders in the secondary market say that the sector is already reasonably mature, though it has been under a cloud in recent days as sterling interest rates have risen.

Some dealers foresee a problem arising in April when many of the issues pay their first coupon and the rate is refixed for the next period. As building societies will not be able to pay interest gross until April, most of the issues so far have set long first coupons and many of them will be paid that month. Some fixed the first coupon at the time of launch, and some even offered slightly higher margins for the first coupon.

There is some fear that investors locked into this first coupon use hedging techniques, and may then dump the paper once it is paid. Some banks which have led issues expect that they will have to buy back paper and replace it in the market at this time. Others argue that investors who bought for the first coupon will then hold on for the second.

After a good start to the market bankers are optimistic that it will continue to expand successfully and already some bankers are talking about perpetual issues or fixed-rate issues swapped into floating rate funds. That should add to investors' opportunities as well as giving building societies a major source of funds, which could eliminate mortgage queues for good.



Ecu 300m warrant issue by Salomon

By Alexander Nicoll

SALOMON BROTHERS INTERNATIONAL yesterday launched its second sale of warrants to buy or sell up to Ecu 300m. The issue comes at a time when a growing number of products based on the European currency unit are appearing on financial markets.

Salomon first offered Ecu options last September, and warrants on sterling and D-marks in 1983. The new warrants are aimed at borrowers and investors in the growing Ecu capital markets, providing them with the ability to hedge currency risks. They also are a means for currency speculation.

Investors are being offered 15,000 call and 15,000 put warrants, each providing the ability respectively to buy or sell Ecu 10,000 within one year. The strike prices are 88.65 US cents per Ecu for calls and 87.65 cents for puts, close to yesterday morning's spot rate. The warrants were selling at $466 for calls and $480 for puts, the equivalent of option premiums of 5.25 and 5.47 per cent respectively.

The warrants differ from currency options sold by banks to other banks and corporate customers in that the warrants are tradeable, with Salomon making a market in them. They are similar to Ecu options recently introduced by Amsterdam's European Options Exchange, and planned for February by the Philadelphia Stock Exchange.

The New York Cotton Exchange this week launched the first Ecu futures contract, and the Chicago Mercantile Exchange also plans Ecu futures soon.

Ms Susan Steele, European managing director of the Philadelphia Stock Exchange, said of the competition posed by the warrants that the exchange welcomed instruments increasing public awareness of options.

US growth outlook hits Eurodollar bonds

BY MAGGIE URRY

THE EURODOLLAR bond market party seems to be over—at least for this week. Sharp falls in the New York bond market on Wednesday and again at the opening yesterday cut 1½ points or more from Eurodollar bond prices, with traders marking prices down at the London opening and again in the afternoon. Worst hit in the new issue market was the recent 30-year World Bank deal which fell 3 points or more to around 98.

Behind the fall is a sudden change in expectations from hopes of a discount rate cut in the US to a belief that the US economy is growing strongly, precluding a rate cut. Although some traders had forecast a correction after the strong rise in prices generated by hopes of lower interest rates, none were ready for the speed and severity of the downturn. "We do not know where to make prices," said one dealer.

Selling by retail investors has been limited, but some dealers said that professionals were beginning to unload positions. In the absence of a rate cut the margin between short-term rates, on which traders fund their positions, and yields has narrowed, making it much less profitable to hold long positions.

No new issues were launched in the Eurodollar market yesterday. Sweden had been rumoured to be asking bankers for bids, perhaps for a 30-year fixed-rate issue like the World Bank's, though the fall in the markets would have delayed any plans. Mr Peter Engstrom, director of the Swedish National Debt Office, would not comment on the rumours.

The Euro-Australian dollar bond market is also looking nervous after receiving A$285m worth of new paper this week. The latest deal, Pepsico's A$75m three year issue, which has a 14½ per cent coupon and par issue price, was quoted just within the 1½ per cent fees. Morgan Guaranty is lead manager. Pepsico's last issue, launched in September, which has a 13 per cent coupon, is still trading well above par. In this market pricing new issues off secondary market yields is not practicable because most paper is placed with retail investors.

The Euro-D Mark market has also been unsettled by the fall in New York and prices yesterday were lower by ½ point on the day, after an even weaker start. Again no new issues appeared and none of the 23 deals on the DM 5.65bn January calendar has yet been launched.

The Swiss franc foreign bond market has so far largely been immune from the problems in other bond markets and some traders expect prices to continue rising. Prices were higher again yesterday.

The strength of the market was demonstrated by a SFr 200m perpetual fixed rate issue from Air Canada, with the same structure as the SFr 300m issue launched last month. That deal, which had a 6¾ per cent coupon, is now trading around 106¼ and the coupon for the new issue was set at 5¼ per cent by lead manager SBC. Like the earlier issue the coupon will not be refixed. Even so the deal met a positive response and was quoted around the par issue price. The borrower has call options after 13 years at 101½ and then every five years at 102.

The Luxembourg franc bond market has been unsettled in recent weeks by rises in short-term Belgian franc interest rates, inresponse to pressure on the currency. Banque Generale du Luxembourg set a 9 per cent coupon for a LuxFr 300m private placement for Den norske Creditbank. The average life is 4.5 years and the price will be set on Monday. Expected soon is a LuxFr 1bn public issue for the European Investment Bank with Kredietbank Luxembourgeoise as lead manager.

A Y20bn dual currency issue for Nippon Kokan led by Nomura International was largely pre-placed.

Comecon bank raises $100m Eurocredit

By Peter Montagnon, Euromarkets Correspondent

INTERNATIONAL Bank for Economic Co-operation, the Comecon bank which is 38 per cent owned by the Soviet Union, is tapping the Eurocredit market for $100m through a club deal led by Lloyds Merchant Bank.

The seven-year credit bears interest at a margin of ⅛ per cent over London interbank deposit rates for the first five years, rising to ¼ per cent thereafter. Repayments begin after a grace period of five years.

Moscow Narodny Bank is a co-manager of the credit, which is being syndicated to a select number of mainly European and Middle East banks.

Separately, Morgan Guaranty has announced a $65m transferable multi-currency credit for the Spanish motorway company Avasa which carries a 30 per cent government guarantee.

Nippon Credit Bank will be agent on the deal and Caja de Madrid is a co-lead manager. It carries interest at a margin of ⅛ per cent over Libor and matures in seven years.

County Bank recruits two executives for new team

COUNTY BANK has attracted two senior bond sales executives from Salomon Brothers as part of its effort to gear up its capital market activity, Our Euromarkets Correspondent writes.

Mr Paul Nelson, head of Salomon's UK sales group, and Mr Giles Vardey, a member of his team, are to join County Bank on Monday as director and assistant director in charge of fixed rate sales.

The appointments are the latest in a series ahead of the formation this summer of a new investment bank by County's National Westminster parent. "We've put the main elements of the team together," Mr David Lough, head of capital markets at County Bank, said yesterday.

● Mr Peter Curtis, a director of County Bank who pioneered the first ever perpetual floating rate note issue for NatWest in 1984, has died after a short illness at the age of 40. Mr Curtis was also instrumental in winning for County Bank the mandate for the recent $1bn Euronote and commercial paper facility for Australia's Broken Hill.

DOMESTIC BOND MARKETS

Prices retreat in Tokyo

JAPANESE Government bond prices retreated sharply in Tokyo yesterday due to sliding US bond prices and a growing view that a discount rate cut in the US had become unlikely.

The bellwether No 68 issue with a 6.8 per cent coupon rate, fell Y0.47 to Y106.26, yielding 5.740 per cent, up 0.075 percentage points from Wednesday.

No 73 issue with a 6.5 per cent coupon, also shed Y0.45 to Y106.10, to yield 5.8 per cent, up from 5.73 per cent per annum. Spot volume totalled Y41.2bn.

In the futures market, the March contract declined Y0.70 to Y99.55 lifting yield to 6.072 per cent up 0.112 percentage points. June and September contracts also gained ground. Futures volume reached Y1,090.9bn, breaking over the one trillion-yen mark for the first time since October 29.

Frankfurt declines

The sharp decline in the US markets sent jitters through German bonds. Longer maturity prices fell as much as 35 pfennigs, but prices of shorter maturity bonds remained largely unchanged.

The Bundesbank bought DM42m worth of domestic paper after selling DM109m on Wednesday. The recent 1995 6¾ per cent and 1995 6⅞ per cent Federal government loan stocks fell an average 35 pfennigs and were quoted at DM 101.25 and DM 102.50 respectively.

The Commerzbank index of new bank paper prices dropped to 111.09 from 111.14 the day before.

Zurich steady

Domestic bonds with warrants traded slightly lower as the stock market came under some profit-taking pressure. Against the trend, however, the 3½ per cent Gotthard Bank bond with warrants rose 3.5 points to 125 per cent. Domestic straights were unchanged to slightly higher on selective demand.

Amsterdam falls

Prices of Dutch Government bonds fell in reaction to the US. The CBS bond index declined to 111.80 from the previous day's 112.1 and the average yield on government issues rose to 6.73 per cent from 6.68 per cent.

Price falls tended to be in the 20-30 cent range, but some issues slid by as much as 80 cents.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on January 9

	Issued	Bid	Offer	Change on day	Change on week	Yield
US DOLLAR STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OTHER STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FLOATING RATE NOTES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CONVERTIBLE BONDS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

RENE LAPAUTRE is a small man who likes to puff at oversized Cuban cigars. He also has large ambitions. As the chairman of Union de Transports Aeriens (UTA), the French independent airline specialising in long-distance routes to Africa and the Far East, he is not afraid to take on a much bigger rival. In his quiet way, he has just issued a not altogether veiled challenge to his much larger domestic competitor, the French state carrier Air France.

For Lapautre is now seeking to break an old pact with his domestic rival by applying for rights to fly to the US, and eyeing possibilities to fly elsewhere in Europe outside France. Up to now, these have been the sacred preserve of Air France. Indeed, for the past 22 years, under a French government agreement, Air France and UTA split the world between them. The private airline, owned by the Chargeurs shipping and transport group and part of the Schlumberger family empire, was given a major slice of Africa and a number of Far Eastern destinations, including Tahiti and New Caledonia. The state carrier flew everywhere else in the world.

For many years it proved an equitable arrangement. UTA thrived on its long haul business, with African traffic growing steadily by 10 to 15 per cent a year. But in recent years circumstances have changed dramatically and UTA has been hit more than most airlines by the evolution in international air travel competition.

Lapautre says his African business, which accounts for about two-thirds of UTA's annual traffic, has inevitably suffered from the economic and political situation in some countries like Nigeria, Libya and South Africa. The economic recession and political problems have also had an impact on Far Eastern routes.

"Many people joke about filling our aircraft with gendarmes flying to cope with the problems of the French territory of New Caledonia. But gendarmes are not a big market of the future," remarks the UTA chairman. "The extra gendarmes we have flown have hardly made up for the one-third fewer Japanese tourists and Australian visitors flying the New Caledonia route."

UTA has also faced new competitors on its traditional African and Far Eastern patches, and the decline in value of several local currencies has not helped. In Africa, where UTA has made the bulk of its profits, which totalled FFr 219m in 1984, the French airline is now having to compete against an increasing number of European airlines like Swissair, Lufthansa, British Caledonian, and KLM. In the Far East, which is near to breaking even, UTA has had to fight against intense competition from Asian and European carriers.

RENE LAPAUTRE

Flying to fresh skies

Paul Betts on the expansion plans of a thrusting French airline

To cope with the developing competition in the long distance airline business, Lapautre launched a strategy designed to cut staff and costs (since 1981 UTA has shed 600 jobs and currently employs about 6,600 people); to modernise his fleet by acquiring new Boeing 747 combined freight and passenger aircraft in their stretched upper deck version in order to give maximum passenger or cargo flexibility; and to improve the quality of service by introducing a business class called "Galaxy."

Judging from the initial financial results, the strategy has already paid dividends. UTA is expected to report earnings of between FFr 600m-FFr 650m for 1985, sharply higher than the year before, according to Lapautre, who before taking the helm at UTA was a key figure at Air Inter, the French domestic airline in which UTA has a 15 per cent shareholding. Although the big jump in 1985 profits includes a FFr 300m special gain from an insurance claim to replace a Boeing 747 damaged by fire at Charles de Gaulle airport in Paris last year, it is nonetheless a strong performance considering the general environment in which UTA operates.

But Lapautre believes that in the long term UTA will have to expand its services to North America and Europe if it is to remain competitive. At present UTA has no rights to fly outside France in Europe. "This is one of our big handicaps," says Lapautre. "At present we must rely on other companies to bring our European customers to Paris to catch our flights." Apart from the competitive disadvantage now that a growing number of European airlines are flying some of UTA's African routes, this also poses headaches for setting fares.

In the current climate of deregulation in the airline business, Lapautre has been increasingly campaigning for UTA to be given European rights (he is eyeing especially London, which is a major source of UTA passengers. He has also campaigned at the Association of European Airlines (AEA) for acceptance of the idea of so-called dual designation, enabling two airlines from the same country to fly to the same place in Europe.

"The problem is that there are basically only two countries in Europe with two international airlines. These are the UK with British Airways and British Caledonian, and France with Air France and us," he explains. "It is obvious that other countries with only a state carrier are not interested or keen on dual designation." Lapautre also believes that it is not enough to have bilateral agreements between European countries. "What we need is a real common market for airlines," he says, adding that a lot is at stake for UTA on this issue.

But the European airline deregulation process is likely to be a complex and long business. In the meantime, UTA is developing provincial hubs in France to attract more customers at a regional level. In particular, Lapautre sees great promise in expanding business around Lyon.

UTA has already made an initial move in the North American market by bidding against Air France for the rights to fly from Paris to San Francisco. "It is the first time in many years that two French airlines have asked for the same destination. The Americans do not care which airline gets the route. It will be for the French Government to decide in the coming months." The state airline, which has enjoyed a monopoly of French transatlantic flights for so many years, is clearly upset by its smaller rival's initiative.

But the UTA chairman argues that at a time when a growing number of US airlines are flying to France, it would be in the country's interests to have two French carriers offering transatlantic services. "Air France is very powerful. But it cannot do everything in the US. It would be in the country's interest to have my company in the US. It doesn't prevent the growth of Air France."

Lapautre says he has no intention of bidding for routes—like that to Miami—which fall into the natural parish of Air France. "Air France has extensive business in the Caribbean and South America. We don't. It makes sense for it to go to Miami. But San Francisco would reinforce our position in the Pacific by allowing us to offer a shorter transatlantic route as well as our existing Far Eastern service," he explains, adding that all his efforts to expand UTA's flights into Europe and North America are designed to consolidate the carrier's existing long distance services as well as to help win new business.

He would like to see a similar situation develop in France as in the UK, where British Airways and British Caledonia have now a far more flexible relationship on international routes than before.

Lapautre is also planning to introduce new fare incentives to attract customer loyalty. And he is considering a new fares structure offering reductions on certain flights. Lapautre pioneered at Air Inter a successful system which offers families on domestic flights a variety of tariffs on different days at different times of the year. In another new venture, he is introducing television sets in his Boeing 747s this spring, so as to offer in-flight tv video programmes as well as in-flight movies.

The television project coincides with the recent controversial entry of UTA's parent company, Chargeurs, in the private television business. Chargeurs has teamed up with Mr Silvio Berlusconi, the Italian television entrepreneur, to start next month France's first private commercial television network called Channel 5.

Lapautre claims that UTA was thinking about introducing videos on flights before Chargeurs launched itself in the private television venture. But one of Mr Lapautre's close assistants sees an interesting parallel between the Chargeurs television project and UTA. "UTA has for years lived alongside its much bigger state owned rival Air France. The new Channel 5 will now be learning to live much in the same way with the three other French state owned television networks."

Inventory control

The crippling cost of 'just in case'

By Nick Garnett

JAPANESE manufacturers realised years ago that the cost of financing large inventories is far more crippling to corporate profitability than are labour costs. But many European companies are still wedded to the wasteful old doctrine of "just in case," rather than the Japanese doctrine of "just in time."

A controversial report by A. T. Kearney, the management consultancy, maintains that many British manufacturers persist in the belief that "maximising" plant, machinery and people is the best way to run a business.

All this does, says Kearney, is build up inventories, at a cost to manufacturers of £5bn a year in financing and storage charges. What they should be doing is producing the hgihest saleable output by using practices they are generally reluctant or unwilling to follow.

Such methods would include finding other products to make —even at marginal cost where such marginal cost makes it cheaper than producing for stock—lowering work throughput, and even switching off machines or whole production lines.

This line of reasoning is broadly accepted by many other consultants, who do not believe that the traditional Japanese practice of depending on small suppliers can fully explain why a company like Canon makes thousands of photocopiers a week but runs on less than one day's stocks.

Some of these consultants, though, wince at generalisations. They believe many manufacturers are in businesses where finding alternative products to run alongside their normal lines is very difficult and that shutting off plant can be dangerous — and virtually impossible in some sectors.

One report, by the Institute of Purchasing and Supply (admittedly four years old) showed that the purchasing departments of 2,000 companies believed they could contribute more to their companies' performance by buying good quality raw materials, at the lowest prices, than by managing inventories better. Still, that report might simply hide complacency.

Kearney likes global statistics. It estimates for example that UK manufacturing inventory amounts to £23bn worth of materials, and that this tied up capital could be cut by a third. This is based on results achieved by more than 20 of its clients, ranging from a commercial vehicle maker which cut inventories by almost a third, to a large cosmetics business that managed 70 per cent.

Some of Kearney's conclusions make decidedly unhappy reading. "It is our experience that, despite an enormous investment in computer based systems, the mechanisms for scheduling purchases and production are little better than the manual systems they have replaced," says David Harland, head of Kearney's manufacturing systems and materials management group. In other words purchasing departments know little more about controlling inventories with computers than they did with stock cards. "In some industries less than 3 per cent of full orders are delivered on time" is among other unsavoury Kearney offerings.

'British manufacturing inventory amounts to £23bn worth of materials. This tied up capital could be cut by a third... One large cosmetic business managed a 70 per cent reduction'

Kearney concedes that scope for improvement in companies depends on a range of factors. It might add that it depends too on the industry.

According to a survey of companies last year by the Northamptonshire-based Institute of Physical Distribution Management (IPDM) inventory costs and storage as a percentage of sales turnover vary considerably from sector to sector. In food and drink it is 3.9 per cent (more than two thirds of which is storage) while in vehicles it is 6.3 per cent (less than half of which is storage). The average for all sectors is under 4.5 per cent. When transport costs and the tricky-to-determine cost of inventory administration are lumped in, overall distribution absorbs an average of 11.6 per cent of sales turnover.

The consultancy Arthur Young argues that switching on and off for some industries is inappropriate — for example processing chemicals and oil, where continuing production keeps overall energy costs down. It also makes a distinction between say, the manufacture of dog food — where a lengthy process of adding ingredients, colouring and taste is not suitable as a process for regular stopping and starting — and jam making, where it perhaps could be.

In any case, says Arthur Young, one of the impediments among manufacturers of tinned food and other High Street suppliers is the three, four or five week shelf stocks maintained by many supermarkets.

Nevertheless there are many companies where "just in time", and producing to need, are put into practice because the logic or economies and distribution dictate it. Arthur Young itself points to one example — a breadcrumb manufacturer in Lincolnshire supplying Ross, th points to one example—a breadcrumb manufacturer in Lincolnshire supplying Ross, the frozen food company. The breadcrumb maker knows only the afternoon before the day he has to supply, just how much fish for fish fingers Ross has bought at Grimsby docks. It must use a mixture of forecasting (producing a stock of breadcrumbs) and through-the-night production in order to meet requirements the following morning at the lowest cost to itself.

Of course the best of both worlds is to have plants running flat out to meet a full order book while you run a finely tuned "just in time." This is a combination many manufacturers now only dream about.

UK COMPANY NEWS

Problems at Inmos depress Thorn EMI

Thorn EMI, the troubled electronics group, yesterday reported a collapse in interim profits from £40.2m to £11.4m pre-tax, mainly reflecting problems at its Inmos subsidiary, part of the technology division.

Inmos, which will remain a drain on profits until the end of the year, lost £12.5m and Thorn is still looking to sell part of its stake in the company.

"We plan to seek a partner or partners but we really need to get Inmos into a breakeven position first," and "you can assume we would probably be wanting to keep a majority," said Mr Colin Southgate, the managing director, yesterday.

The technology side overall lost £2.5m, against a profit of £17.3m. And entertainment activities recorded more than doubled losses of £9.9m (£4.1m).

Sir Graham Wilkins, the chairman, admitted that Thorn EMI's problems meant that it was "more vulnerable than others" to the possibility of a bid. "The quicker we get things right the less vulnerable we will be."

Despite the first half profit setback and the absence of full cover the interim dividend is being held at 5p. The chairman said "we are now past the low point. From what we see, I would anticipate that in the second six months we will come pretty close to the same sort of profit figure made in the second half of last year."

This would indicate a full year result of around £90m compared with a depressed £108m last time.

Cash management still remains the group's top priority. "We are concerned about our gearing," said Sir Graham. First half finance charges were £1.4m higher at £24.6m.

Thorn, which recently sold its screen entertainment division in a £110m management buy-out, is targeting to raise another £50m from disposals. These will include part of its 46 per cent Thames TV stake.

However, Sir Graham said that despite market speculation there were no plans for selling off any other major part of the Thorn EMI group.

"The lighting business is not for sale and we are not trying to sell the music business. We are satisfied we can see significant growth in that sector," he said.

Music losses continued close to the level of the first half of last year, though Thorn did not disclose any figures. This business is expected to move into profit in North America in 1987.

In music, the chairman said, "we are beginning to benefit from the high level of investment in talent acquisitions and developments made over the past two years in the US," but, in the meantime, "results from this area continue to be depressed and are diluting relatively strong results in Europe and other international markets."

Mr Colin Southgate (left), managing director of Thorn EMI, and Sir Graham Wilkins, chairman . . . we are now past the low point but we are concerned about our gearing

Rental and retail was the only product group to record an improvement over the six months to end-September 1985, despite disappointing results from UK electrical retail operations.

UK and international rental businesses and HMV shops performed strongly while the UK rental business was "successfully maintaining market share while effecting substantial improvements in operating efficiency," said Sir Graham.

International rental operations were exceeding expectations and offered "exciting prospects," and the product group "can be expected to show a significant improvement in profits over the next few years."

Mixed results were returned from Thorn's consumer and commercial product groups. The first phase of restructuring and cost reduction at Ferguson has "already had a positive impact on its performance and the business is trading profitably in the third quarter."

Sir Graham said the domestic appliance business was affected by delays in the introduction of new products. Many of these products had now been released with a significant improvement in the company's brand position.

Lighting, he said, was trading in a satisfactory manner, and there was some evidence that the high technology products developed in recent years were gaining acceptance. "These products contribute higher margins than traditional lighting products and offer prospects for improved results in the future."

Total group turnover was £1.53bn, against £1.44bn. Earnings per share were 1.4p (10.7p).

Overall, he said that "our immediate aim is to improve profitability and concentrate resources on those businesses which have significant technical and marketing strengths. We have identified these to be in the areas of systems, electronics and materials technology and the marketing and manufacturing of consumer products and services."

Significant savings were also coming through in most areas but "we need to continue to reduce our costs and restructure the business if we are to achieve an acceptable level of gearing, efficiency and profitability. The firm action already taken leads me to feel confident that the turnaround for which we are all striving will be achieved with time," he said.

See Lex

Sedgwick advances in third quarter

THIRD QUARTER pre-tax profits at Sedgwick Group rose from a re-stated £27.2m to £30m, giving improved figures of £165.4m for the nine-month period to September 30, compared with £89.7m in the corresponding period last year. Revenue for the third quarter was £128.9m against £124.1m for a nine-month total of £415.1m (£351.6m).

The group has not previously published quarterly figures. Mr C. M. Mosselmans, the chairman, says the merger with Fred. S. James has added an important dimension to the group's business, and in line with US reporting practice, its revenue and pre-tax profits will from now onwards be announced quarterly.

The more detailed analysis of the group's results will continue to be reported twice yearly.

He says the nine months results have been prepared using exchange rates ruling at the period end. In future average exchange rates will be used.

The results for nine months include those of Fred S. James from January 1, 1985.

● **comment**

Whether Sedgwick had come out with £30m or with £118m should not have mattered a jot. The relevant fact is the increase over the previous year's figure—something that until today the market could only guess at as these are Sedgwick's first set of quarterly results. In the event a 17½ per cent growth rate stacks up unfavourably against the disappointing 21 per cent rise in the first half. However, taking account of the falling dollar, the actual progress may have been much the same as during the first six months. That performance was nothing to write home about, with UK profits more or less stagnant, and with most of the growth supplied by the recently acquired Fred S. James. By deciding to switch to average exchange rates from period end rates, Sedgwick has ensured that its full year results will be seen in the most flattering light possible. This year's figure could be improved by £5m, while last year's may in turn be damaged by an even larger amount. Furthermore, with no recurrence of last year's £7m extraordinary losses, pre-tax profits this year may be as high as £130m. At yesterday's price of 365p, down 15p, the shares are on a price earnings ratio of about 16, which leaves plenty of room for future events to disappoint.

Assoc. Newspapers beats forecasts with record £41.9m

Associated Newspapers Holdings yesterday unveiled its 1984-1985 results which showed profits comfortably ahead of City expectations.

The group, publisher of the Daily Mail and Mail on Sunday and which last month took full control of the London Standard, raised its pre-tax profits from £28.4m to a record £41.9m from turnover £66.7m higher at £424.8m.

Analysts had been looking for figures in the region of £36m.

The final dividend is being lifted by 2p to 11.5p which increases the net total from 14p to 17p per 25p share. A scrip issue on a three-for-one basis is also recommended.

The group's newspapers and magazines raised their contribution to pre-tax profits from £6.7m to £20.8m during the year (to September 30 1985) from turnover £58.7m ahead at £340.3m.

North Sea oil and gas interests, however, showed a fall of £2.2m at £6.8m. Other activities returned £14.3m, compared with £7.7m.

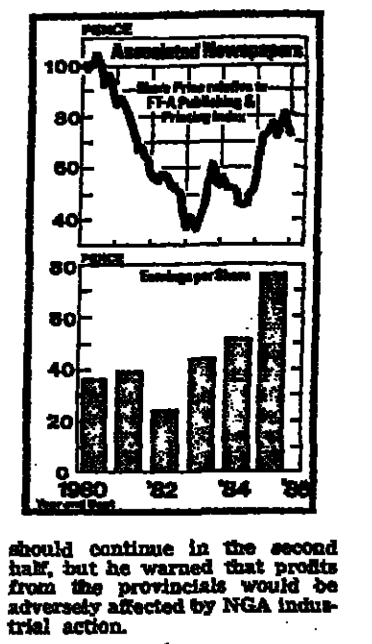
Geographically, the UK accounted for profits of £33.1m, against £19.2m previously, with the overseas take ahead by £4.6m at £8.8m.

At the trading level, profits advanced from a restated £18.8m to £30.9m. The associates' contribution improved by £2.9m to £4.1m, and income from other fixed assets investments rose from £3m to £4.4m. Net interest income was little changed at £1.6m (£1.7m), but profits from the sale of property added £1.7m.

Tax jumped from £5.3m to £17.4m to leave net profits £6.4m higher at £24.5m. Earnings per share emerged at 76.3p, compared with 55.6p previously.

Attributable profits came through at £23.2m. Last year's figure was £34.8m but was after the addition of extraordinary credits totalling £17.9m.

Last July, in its interim statement (mid-year pre-tax profits virtually doubled to £16.4m) Lord Rothermere, the chairman, told shareholders that improvements in performance by the Mail titles should continue in the second half, but he warned that profits from the provincials would be adversely affected by NGA industrial action.



● **comment**

Associated Newspapers is notoriously shy when it comes to talking about its own affairs and so the fact that the market had failed to appreciate the improvement in newspaper and magazine profits should come as no surprise. With that division's contribution trebling, the group has achieved a 79 per cent pre-tax gain to £41.9m against outside forecasts of £35m to £38m. The shares understandably reacted with a 45p jump to 970p — 105p off the high point of last year. Presumably a very large part of the advance has come from loss as much as £18m in 1984 by outside analysts. Euromoney should have had a good year, similarly 13-30 Group in the US, although the provincial newspapers may have experienced a mixed result. Predicting events in Fleet Street has to be done with crossed fingers but even so profits might top £50m this year, dropping the prospective p/e to just over 10 from 12.7 — a modest rating by most standards.

Finance charges retard Electronic Rentals

Electronic Rentals Group yesterday reported a small increase in taxable profits from £7.49m to £7.74m for the six months to end-September 1985.

Turnover was higher at £103.72m, against nearly £97m, but the taxable result was depressed by additional depreciation and an increase in interest charges from £4.29m to £6.06m, reflecting both higher borrowings and interest rates.

Mr J. T. Griffiths, the chairman, says that a major feature of the half year was the purchase of the Currys Carousel business from Dixons which has now been integrated into the rental side.

"Our market share, which rose as a result of the acquisition, has since increased further," he says and the full benefits from Carousel "will begin to materialise in the second half."

Since the end of the period the company has also acquired Telefusion which represents "a major advance in the strategy which was adopted some two years ago."

The strategy has four main elements: maximise profitability of existing rental business; increase effectiveness of the servicing organisation; expand revenue earnings possibilities from existing resources; and to expand business electronics activities in parallel with the consumer business.

Telefusion's rental business will be absorbed into Visionhire in the same way as Carousel.

Overseas rental businesses performed well with the exception of Australia, although adverse currency movements reduced profits, especially in Australia and South Africa.

As promised at the time of the Telefusion acquisition the interim dividend is 1.167p (same). Earnings per share were 1.8p (1.7p) after tax of £3.59m (£3.4m).

● **comment**

Rationalisation will be the theme at Electronic Rentals this year. In the first half the costs of integrating Carousel, purchased from Dixons last March for £28m, severely restricted its contribution to the group while in the second half the effort of restructuring Telefusion, bought for £22m in October, will pile up on top of that company's continuing trading losses from its Connect retail division. So full year profits are unlikely to come out much more than £17m pre-tax though, with capital gearing running at close to 100 per cent, rising interest charges could chip away at growth in operating profits while an inevitable question mark hangs over the translation of earnings from Australia and South Africa. The prospective p/e of 13½ at 46p, down 2p, still looks a touch on the high side.

Small rise at S. Banks

Sidney C. Banks, the Bedfordshire grain and agricultural merchant, has managed a small rise in profits despite a drop in turnover in the six months to October 31 1985. Turnover fell to £56.91m from £61.22m in the same period of 1984, a year of record harvests when turnover rose 20.7 per cent.

Pre-tax profits amounted to £1.21m, up 5.7 per cent on the 1984 figure of £1.15m. Tax was £496,000 against £481,000 and earnings per share rose to 21.7p from 20.2p. An interim dividend of 3.5p is declared (3.25p).

Cala in £3.7m cash call

By Michael Cassell

City of Aberdeen Land Association the Edinburgh-based housebuilding and commercial property development group, is making a £3.66m rights issue to finance the next stage of its growth.

After stepping up its involvement in the south east, Cala now has a nationwide development programme valued at over £20m.

The commercial property operation, which was formed at the end of the 1970s, has recently become increasingly active and schemes underway include an office scheme in Hertford, forward sold to Britannic Assurance, high-technology developments at Teddington and Chessington and a new office project at Sunbury on Thames.

The directors say they now believe that further significant growth could not be prudently financed without the injection of additional equity capital.

Cala is issuing up to 508,703 new ordinary shares at 750p each on the basis of one-for-four. The group expects that recent expansion will be maintained in both the housebuilding and commercial property markets and is still examining opportunities for acquiring housing companies in other geographical areas.

The company last sought fresh capital in November 1981, when it raised £1.1m through a placing with five institutions. Since mid-1981 turnover and pre-tax profits have risen by 130 per cent and 115 per cent respectively and earnings per share have increased by over 70 per cent. The number of homes built per annum has risen from 143 to 252.

In the 1984-85 chairman's statement, it was indicated that the full year dividend of 13p net would at least be maintained on the capital as increased by the one-for-two capitalisation issue. Cala says it still intends to pay this level of dividend on the capital in issue after the proposed rights and the directors intend to declare in March an interim dividend of 6p net an approximate 12.5 per cent rise over the previous interim payment.

Directors of Cala, who hold 23.5 per cent of the existing equity, and Stenhouse Western which controls a further 18.4 per cent, intend to take up their rights. There will be an extraordinary general meeting on January 27.

Burnett property sales raise £1.9m

Burnett and Hallamshire, the troubled coal mining and property group which is in the throes of a financial reconstruction, has sold 10 UK investment and development properties to Hartley Property Trust for £1.89m.

The proceeds will be used to help repay £30m of banking facilities made available to the company under the rescue package. Shareholders will vote on the reconstruction at an EGM next Monday.

BOARD MEETINGS

TODAY

Interims: Peter Black, Turnbull Scott.
Finals: Brint Investments, Consolidated Tea Investments.

FUTURE DATES

Interims—
Abbey ... Jan 16
First Security ... Jan 13
Fleming Claverhouse Inv. Trt. ... Jan 13
Wigfalls ... Jan 16

Finals—
Countryside Properties ... Jan 14
Damaris Electrical ... Jan 23
Kanning Motor ... Jan 17
Rawlings Estates ... Jan 20
Television South ... Jan 27

Growth all round boosts Valin Pollen 85% to £1.1m

WITH EACH of its subsidiaries achieving growth significantly in excess of the industry average Valin Pollen International was able to lift its 1984-85 pre-tax profits by 85 per cent.

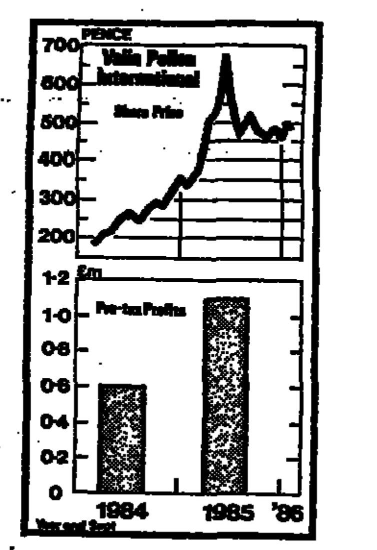
Mr Reg Valin, the chairman, tells shareholders that the past 12 months were particularly active for all companies within the group and adds that the current year has started well and has seen a steady influx of new clients.

Valin Pollen is a financial and corporate communications group. Its shares are currently traded on the USM but the directors are considering the move to a full listing.

The year to September 30 1985 saw group turnover surge from £11.69m to £18.42m and operating income by £3.24m to £6.23m. At the pre-tax level profits pushed ahead from £600,000 to £1.11m, spot on the figure suggested by City analysts.

A final dividend of 2p (1.4p) brings the total up from 2p to 3p net per 5p share. A scrip issue on a two-for-one basis is also proposed.

The directors believe the group is "formidably well resourced and structured "to respond to the markets requirements.



● **comment**

Valin Pollen's impressive profits increase had been fully discounted and the shares did well to hold their decline to just 4 per cent against the falling market. The figures were boosted by first-time contributions from McAvoy Wreford Baley, accounting for perhaps a quarter of turnover, and the Dutch subsidiary, but this does not detract from the performance of the existing activities which have shown strong gains through winning important new clients. With names such as Laura Ashley, Marks and Spencer, the Stock Exchange and The Wellcome Foundation coming on to the books and full-year contributions due from the new subsidiaries, the prospects for the year ahead look rosy even without further acquisitions—and a move into the US seems unlikely to be much longer delayed. Some £1.7m would put the shares, down 20p at 380p, on a prospective p/e ratio of 19½ after a 39 per cent tax charge. After the recent rerating of the sector the shares are at their most realistic level in a long time, and begin to look tempting.

The Nippon Credit Bank (Curacao) Finance N.V.

US$ 100,000,000 12⅞% Guaranteed Notes due 1992

NOTICE IS HEREBY GIVEN that pursuant to Condition 5(b) of the Notes, US$ 6,000,000 principal amount of the Notes has been drawn for redemption on the 13th February, 1986, at the redemption price of 101% of the principal amount, together with accrued interest to 13th February, 1986.

The serial numbers of the Notes drawn for redemption are as follows:—

63	1012	2180	3279	4265	5255	6551	7610	8469	9537	10562	11543	12372	13248	14290	15135	16010	17031	17902	18958
64	1026	2251	3285	4267	5267	6557	7614	8472	9540	10566	11549	12376	13251	14308	15139	16017	17034	17927	18981
70	1027	2267	3291	4286	5275	6561	7616	8491	9559	10571	11561	12401	13260	14311	15174	16024	17062	17964	19008
76	1045	2275	3297	4328	5285	6572	7622	8504	9562	10596	11576	12405	13278	14320	15190	16028	17081	17967	19011
82	1055	2280	3302	4372	5303	6582	7623	8506	9564	10632	11588	12418	13316	14321	15203	16088	17090	17978	19013
87	1070	2301	3307	4381	5331	6609	7630	8520	9587	10693	11597	12419	13334	14339	15224	16089	17097	17983	19064
88	1075	2326	3313	4384	5351	6611	7633	8578	9602	10694	11638	12421	13344	14349	15226	16090	17122	17987	19079
91	1087	2341	3339	4388	5356	6613	7648	8607	9618	10723	11666	12463	13362	14365	15228	16091	17134	17993	19102
126	1149	2342	3346	4401	5424	6632	7654	8616	9629	10726	11679	12468	13369	14373	15252	16106	17136	18003	19131
153	1187	2360	3407	4413	5434	6633	7659	8619	9632	10739	11685	12483	13413	14386	15272	16140	17167	18014	19156
158	1204	2361	3409	4421	5438	6643	7706	8644	9670	10745	11694	12511	13442	14392	15280	16141	17175	18030	19187
163	1209	2389	3420	4446	5479	6662	7708	8660	9693	10765	11750	12519	13453	14411	15288	16154	17187	18046	19217
182	1222	2391	3430	4465	5491	6670	7741	8677	9705	10777	11754	12523	13463	14446	15306	16160	17188	18049	19228
197	1324	2404	3450	4467	5502	6671	7745	8693	9756	10786	11775	12544	13500	14451	15321	16191	17196	18069	19280
208	1346	2419	3456	4476	5504	6712	7786	8704	9759	10789	11781	12561	13504	14459	15324	16196	17215	18095	19323
209	1400	2427	3461	4481	5515	6720	7802	8764	9776	10793	11785	12566	13563	14463	15334	16232	17229	18101	19374
222	1407	2449	3469	4495	5546	6729	7815	8776	9801	10803	11796	12571	13569	14468	15344	16234	17236	18109	19377
228	1422	2459	3492	4547	5621	6736	7822	8792	9818	10808	11809	12577	13578	14478	15366	16262	17278	18128	19378
236	1432	2481	3503	4575	5652	6739	7826	8811	9838	10818	11811	12581	13583	14490	15374	16266	17292	18150	19382
272	1448	2508	3554	4633	5656	6741	7828	8812	9854	10827	11815	12594	13605	14540	15381	16269	17301	18188	19394
320	1465	2587	3557	4653	5705	6753	7829	8838	9861	10828	11829	12601	13653	14553	15407	16283	17305	18194	19400
335	1468	2623	3566	4662	5718	6754	7847	8876	9901	10892	11845	12626	13682	14561	15408	16289	17329	18226	19413
340	1485	2634	3574	4663	5768	6756	7886	8886	9909	10900	11860	12660	13684	14587	15427	16292	17332	18230	19439
357	1493	2650	3585	4666	5796	6794	7892	8887	9931	10901	11861	12665	13703	14591	15453	16303	17336	18234	19455
376	1499	2660	3586	4672	5798	6813	7949	8889	9937	10902	11864	12689	13726	14598	15455	16328	17346	18238	19456
390	1542	2676	3590	4684	5817	6881	7955	8898	9968	10928	11870	12709	13728	14612	15464	16332	17362	18266	19481
400	1560	2738	3598	4696	5840	6900	7960	8910	9989	10931	11879	12711	13746	14647	15473	16366	17375	18291	19483
402	1568	2744	3609	4704	5899	6913	7983	8947	10015	10964	11894	12774	13768	14652	15482	16432	17395	18294	19487
404	1604	2754	3622	4710	5908	6957	7992	8975	10026	10976	11921	12790	13814	14675	15498	16434	17406	18298	19489
409	1610	2757	3633	4713	5911	6959	8001	8985	10072	10978	11932	12800	13815	14679	15507	16435	17425	18322	19490
425	1618	2809	3635	4745	5919	6962	8010	8989	10100	11053	11937	12811	13844	14694	15509	16451	17437	18334	19515
428	1629	2818	3637	4775	5932	6983	8029	8990	10137	11078	11963	12830	13855	14714	15514	16468	17439	18338	19528
442	1694	2827	3649	4779	5944	6992	8036	9005	10141	11080	11986	12868	13859	14718	15523	16474	17476	18350	19531
463	1713	2831	3704	4782	5960	7012	8038	9026	10146	11093	11997	12887	13861	14735	15540	16507	17519	18354	19542
479	1724	2898	3718	4797	6005	7038	8043	9035	10169	11108	11999	12902	13878	14749	15561	16514	17530	18369	19571
480	1751	2911	3719	4811	6042	7053	8051	9077	10177	11149	12000	12915	13888	14759	15574	16549	17534	18469	19588
489	1758	2925	3773	4834	6071	7070	8056	9111	10193	11196	12003	12920	13901	14762	15594	16568	17582	18512	19609
510	1770	2940	3795	4849	6076	7156	8079	9144	10196	11212	12022	12937	13930	14774	15617	16603	17592	18530	19634
527	1772	2949	3806	4851	6079	7172	8090	9149	10200	11239	12031	12944	13932	14809	15642	16615	17597	18536	19647
531	1815	2956	3839	4867	6092	7193	8120	9180	10204	11249	12051	12947	13966	14819	15644	16646	17620	18538	19677
578	1826	2967	3868	4901	6094	7272	8146	9193	10211	11251	12055	12964	13986	14822	15652	16685	17623	18591	19685
582	1860	2983	3869	4924	6115	7308	8151	9206	10222	11264	12065	12972	13990	14855	15665	16702	17625	18598	19687
629	1909	2986	3877	4927	6132	7317	8154	9213	10237	11288	12082	12999	13996	14863	15678	16731	17626	18640	19699
635	1914	2997	3886	4934	6180	7364	8159	9218	10242	11335	12102	13000	14014	14865	15713	16763	17628	18646	19718
651	1931	3048	3898	4969	6188	7388	8179	9233	10251	11338	12131	13032	14027	14866	15717	16783	17672	18657	19738
686	1937	3060	3915	4998	6224	7407	8196	9238	10261	11341	12132	13041	14067	14870	15775	16785	17690	18683	19792
704	1958	3069	3936	5010	6288	7418	8223	9244	10278	11349	12136	13065	14081	14888	15790	16812	17691	18691	19810
722	1965	3078	3951	5039	6301	7422	8225	9283	10310	11391	12177	13082	14094	14901	15794	16816	17696	18693	19827
755	1974	3089	3995	5056	6309	7447	8263	9290	10335	11402	12179	13111	14101	14929	15828	16845	17733	18714	19834
761	1991	3090	4011	5065	6352	7450	8267	9301	10342	11415	12192	13121	14113	14936	15829	16857	17760	18718	19852
768	1993	3114	4023	5068	6377	7477	8283	9316	10371	11429	12193	13126	14116	14938	15836	16869	17778	18725	19871
791	1999	3117	4035	5072	6406	7483	8285	9318	10392	11431	12205	13135	14127	14980	15854	16949	17810	18768	19882
793	2035	3119	4056	5079	6407	7537	8310	9365	10428	11440	12227	13139	14150	14982	15884	16960	17821	18787	19907
795	2068	3129	4058	5111	6437	7538	8324	9371	10475	11454	12246	13147	14197	14986	15892	16979	17835	18808	19911
836	2091	3198	4090	5149	6450	7547	8340	9376	10494	11459	12284	13163	14212	15002	15899	16981	17836	18831	19927
851	2097	3225	4111	5158	6453	7551	8358	9393	10499	11463	12292	13181	14226	15082	15936	16984	17845	18851	19941
869	2105	3227	4151	5174	6459	7554	8385	9451	10527	11472	12303	13182	14240	15089	15958	16985	17849	18860	19942
903	2114	3248	4182	5175	6463	7567	8418	9459	10539	11506	12321	13185	14242	15101	15961	17016	17855	18873	19963
921	2115	3257	4222	5184	6492	7602	8454	9481	10552	11537	12361	13186	14265	15127	15964	17020	17877	18918	19966
964	2131	3260	4233	5196	6512	7604	8468	9487	10556	11540	12367	13241	14267	15133	15973	17025	17894	18922	19993

On the 13th February, 1986, the said redemption price will become due and payable on each Note to be redeemed, together with accrued interest from 30th January, 1986 to 13th February, 1986 amounting to US$ 23·25 per US$ 5,000 Note. On and after that date, interest on the said drawn Notes will cease to accrue.

Payment of the Notes to be redeemed will be made on or after 13th February, 1986 upon presentation and surrender of the said Notes, with all coupons appertaining thereto, at any of the following Banks:—

Bankers Trust Company
Dashwood House
69 Old Broad Street
London EC2P 2EE

Banque Indosuez Luxembourg
39 Allée Scheffer
Luxembourg

Swiss Bank Corporation
Aeschenvorstadt 1
CH-4002 Basle
Switzerland

10th January, 1986

Bankers Trust Company, London — Agent Bank

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UK COMPANY NEWS

Pearson selling Fairey Engineering

By Nick Garnett

Fairey Holdings, the engineering arm of Pearson, is negotiating with three other companies the sale of Fairey Engineering and two of its satellite businesses Matthews and Yates and Fairey Construction.

Fairey Engineering, had a turnover of more than £50m last year, out of Fairey Holdings' £168m, and is thought to have contributed about one-third of Fairey Holdings' profits.

The negotiations, do not affect Fairey Holdings' other businesses, which centre on more advanced engineering, including hydraulics, electronics and ceramics.

The company told union officials at Fairey Engineering's headquarters in Stockport near Manchester yesterday, that the businesses up for sale though profitable did not fit into the way the company wished to develop. This will concentrate on the less cyclical and more advanced engineering activities.

Fairey Engineerings' products include a very successful medium girder bridge manipulators and nuclear-waste containers. It has broad expertise in nuclear engineering. The construction business was recently moved from Warrington to Fairey Engineerings' main site at Stockport.

Fairey is thought to be discussing a separate sale of the businesses and intends using the sale cash to fund expansion of its core higher technology activities.

Horizon Travel

IEP Securities, a subsidiary of the investment group run by leading New Zealand businessman Mr Ron Brierley, has taken a 5.2 per cent stake in Horizon Travel.

The stake has been built up over the past few weeks and has prompted a letter from Mr Bruce Tanner, chairman of Horizon, asking about Mr Brierley's intentions.

The reply was non-committal. But while the recovery potential in the travel industry is good Horizon is partially protected from a hostile bid by the 25 per cent stake held by Bass, which it is committed to hold for five years.

Beazer buys again and wins control of Kier

BY DAVID GOODHART

C H Beazer, the fast-growing housebuilder, yesterday won control of construction group French Kier but the argument over the shape of the merged company's board is likely to continue over the weekend.

Beazer bought another 2.8m shares yesterday morning, taking its total stake to 51.17 per cent. But after another meeting between Mr Brian Beazer, the Beazer chairman, and Mr John Mott, the French Kier chairman, there was little progress on the two organisations' conflicting plans for the new board.

French Kier's loss of control to Beazer represents the 6th time in the past few weeks that merchant bank Morgan Grenfell has been on the losing side in a bid battle, the other four being: James Neill, Guinness Peat, Scottish and Newcastle and Abbey.

Beazer, which at present has five executive directors and two non-executive directors, has conceded to French Kier four executive directors and one non executive on the merged board

However French Kier remains dissatisfied with the proposed functions of the executive directors and in particular the lack of a presence within the inner core of the board.

Another point of contention is the future of Mr Mott, himself. He has been offered the non-executive post but says: "Were I to take that it would be demeaning everything that has been done over the past 11 years in French Kier. I will certainly not accept it."

Mr Mott would like the role of non-executive deputy chairman but seems unlikely to get it. The French Kier board can still however cause considerable nuisance to Beazer even if it cannot stop the take-over.

It could, for example, recommend that shareholders accept only Beazer's cash offer of 285p which would result in the underwriters having to accept almost all of Beazer's new share issue.

French Kier could drag its feet even further and refuse to accept Beazer representatives on its board until an EGM was requisitioned.

That would take time and leave the staff and middle management of the construction group in a state of continuing uncertainty—something Beazer is keen to avoid.

Beazer has said that it will send out its final offer document today. It has already told French Kier's two non-executive directors—Mr Henry Cottrell and Mr Tom Carlile—that they will not be wanted in the new company.

NEW LIFE BUSINESS

New premiums down at L and G

Legal and General, Britain's second largest life insurance company, yesterday reported a fall in new business in 1985.

New annual premiums worldwide, excluding managed and segregated funds, fell almost 4 per cent from £124.3m to £119.7m, while single premium business dropped a quarter from £303.7m to £224.1m.

In individual life business in the UK saw new annual premiums drop from £67.8m to £65m and single premiums fall from £266.6m to £180.9m.

The company's major mortgage-related business held up well in a difficult first half, with new annual premium income of £34.9m, not far short of 1984's high level of £36.4m.

On pensions, the group reported a recovery in new group life and pensions business. Although new annual premiums dropped from £39.4m to £37.8m, the number of new insured group schemes rose 41 per cent.

Both of the group's pension investment services did better in 1985. New premiums on the managed fund rose from £91.4m to £95.4m, while the segregated fund service funds went up from £48.1m to £59.8m.

However, L and G, in contrast to the general trend, did not do particularly well on individual pensions. Conventional self-employed pensions business saw annual premiums up from £6m to £6.6m, but single premiums fell from £2.7m to £1.5m. The unit-linked self-employed pensions had a similar experience, with new annual premiums rising from £3.1m to £3.6m, but single premiums declining from £4.8m to £3.3m.

The group's unitlinked operation, now well established, continued to progress. New annual premiums rose marginally from £12.7m to £12.9m. Although single premium business declined from 1984's record level of £208.6m, its £172m of business in 1985 kept it among the leaders in the field.

Record business for Scottish Amicable

SCOTTISH Amicable Life Assurance achieved record new business in 1985 with new annual premiums on individual life and pensions business up nearly a quarter from £60.2m to £73.9m and single premium business increasing 10 per cent from £71.8m to £78.8m.

The main success for Scottish Amicable last year was in sales of self-employed and executive pension schemes. New annual premiums on self-employed pensions were up 80 per cent to £18.8m, while single premiums rose by a third to £21.8m. Executive pension business grew even faster with new annual premiums up 80 per cent to £15.8m and single premiums more than doubling to £24.4m.

The company's mortgage related business, a field in which it is a leader, held up well despite a difficult first half year to finish with new annual premiums down only 4 per cent to £29.8m.

New annual premiums on other conventional individual classes rose by 13 per cent to £6m, but single premiums were almost halved to £500,000.

In contrast, the company's ordinary investment linked business was dull in 1985 as competition grew from other conventional life companies entering the field. New annual and single premiums dropped by a quarter to £3.5m and £32.1m respectively.

The company's group pensions business did well with the number of clients using the highly successful managed pension fund SCAMPI rising from 522 to 595 and the funds under management up from £1.11bn to £1.42bn.

COMPANY NEWS IN BRIEF

DEWHURST AND PARTNER, manufacturer of electrical control equipment, raised pre-tax profits from £214,602 to £403,228 in 52 weeks ended September 29 1985. Turnover totalled £4.26m (£3.78m). Earnings amounted to 4.39p (1.81p) per 10p share. Final dividend is 0.7p, making a net total of 1.05p (0.75p).

STEWART & WIGHT, London property investor, lifted pre-tax profits from £28,001 to £50,589 for the six months to September 28 1985. Gross rental income more than doubled to £57,179 (£27,726), while retail turnover fell to £94,589 (£169,749) after the disposal of two of its four shops. Depreciation amounted to £2,193 (£2,131) and tax was £18,022 (£11,856), leaving net profits of £30,374 (£14,014). Earnings per share were 38.51p (28.55p).

ASHDOWN Investment Trust announced pre-tax revenue up 8.1 per cent to £1.54m for the year to November 30 1985. Total revenue was £1.9m (£1.69m), comprising investment income £1.63m (£1.52m), deposit interest £208,000 (£135,000) and underwriting income £81,000 (£35,000). Expenses and interest were £352,000 (£293,000) and tax took £502,000 (£505,000). Earnings per share were 3.17p against 2.89p adjusted, and the net asset value was 167.6p per share (135p adjusted). A final dividend of 2.1p is proposed, making 3.1p for the year.

MORGAN CRUCIBLE has sold a magnesite mine owned by its Australian subsidiary for A$1.9m. The mine formed part of the Australian-based Kaiser and Harbison Walker refractory interests acquired by Morgan early last year. The sale is part of the group's policy of disposing of its non-mainstream businesses. Further Australian assets are expected to be sold in near future to raise a further A$2m.

OLDACRE HOLDINGS' pre-tax profits in the six months to September 30 1985 were virtually unchanged at £808,000, compared with £802,000, on turnover up from £40.8m to £43.76m. The interim dividend is raised from 1.5p to 1.65p net and stated earnings per share improved from 3.14p to 3.40p. Oldacre is engaged in animal feeds.

OCEAN Transport & Trading, the industrial distribution group, is buying three businesses: Freedom LPG, a liquefied petroleum gas distributor based near Sheffield; Coys of St Helens, a freight forwarding company, and B. Checkley, a truck tyre casings supplier. Ocean is also to reopen Weston Point docks near Runcorn as a bulk handling terminal.

RENTOKIL GROUP is making three acquisitions to develop its UK office cleaning business to a turnover in excess of £5m—up 150 per cent in two years. It is buying Centreclean, Carlton Cleaning (Scotland) and Alliance Cleaning Services. The cost is in excess of £400,000.

QUEENS MOAT Houses' offer for Dean Park Hotels Group has been accepted in respect of 92.72 per cent of the shares. The offer remains open; the cash alternative has closed.

DALE ELECTRIC International has bought a 40 per cent stake in Witt and Busch, the Nigerian trading house, from Deutsch Ost Africa, Geschellschaft for £350,000. Of this, £200,000 will be met by share issues. Dale has issued 147,059 ordinary shares in respect of £100,000.

LADBROKE INDEX
1,109-1,113 (−13)
Based on FT Index
Tel: 01-427 4411

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Ashdown Invest. Tst. ...	2.1	March 27	1.97*	3.1	2.73*
Assoc. Newspapers	11.5	Feb. 21	9.5	17	14
Sidney Banks ....int	3.5	April 7	3.25	—	10
Dewhurst & Partner ...	0.7	—	0.5	1.05	0.75
Electronic Rentals ...int	1.17	Feb. 28	1.17	—	3.23
Oldacre Hldgs. ....int	1.65	March 27	1.5	—	4
Thorn EMI ....int	5	March 7	5	—	17.5
Valin Pollen	2‡	—	1.4	3	2

Dividends shown in pence per share except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

UK COMPANY NEWS

Terry Garrett takes a look at the transformation of the Murray Growth Trust

Hoisting the Ensign in venture capital

WITHIN the next week, possibly two, Ensign Trust will announce the purchase of an established venture capital group for close to £18m.

It will be the first significant acquisition since control of the trust, formerly known as Murray Growth Trust, passed to the Merchant Navy Officer's Pension Fund (MNPF) last autumn after a hotly contested bid.

There is a double purpose to the acquisition. By financing the deal through a vendor placing of Ensign shares the pension fund will go a long way to accomplishing its pledge to the Stock Exchange that it will reduce its holding of the ordinary shares from over 87 per cent to 75 per cent.

And the addition of a portfolio of equity holdings in unquoted companies extends the roll of Ensign which has almost overnight been transformed from a general trust into one specialising in financial services companies and development capital investments.

Mr Phillip Henderson, who was deputy investment manager of the pension fund before he was seconded to run Ensign, makes no bones about the fund's original intention to get full control of Murray Growth. But a low level of acceptances from "B" shareholders prompted a rethink. MNP could always have voted for liquidation of the trust but the idea of holding a quoted investment trust became increasingly attractive.

"The next question was, what do you do with it?" recalls Mr Henderson. "Out came the cold towels and we sat down for a real 'think.'" The first reaction was to reduce the trust in size to around £60m and look at it as a straightforward venture capital fund. That was not thought workable because of the capital gains tax liabilities for other shareholders.

Equally there was little point in retaining Ensign, or Murray Growth as it was, as a general trust. For some years the pension fund had concentrated on financial service companies and venture capital investments. A blend of those two themes would, MNP believed, create a cohesive strategy for an investment trust that would then attract a City following.

Philip Henderson is convinced —though he might find an argument elsewhere—that in the era after Big Bang in the City the power base in the securities industry will shift from the stockbrokers towards members of the community who actually have the cash — the fund managers.

ENSIGN'S MAJOR HOLDINGS

Investment	Stake (%)	Value £m	Part of total assets (%)
Robert Fleming*	7.3	15.1	7.6
Akroyd & Smithers	18.0	12.3	6.2
Morgan Grenfell*	3.3	9.3	4.7
Ivory & Sime	21.1	8.8	4.4
M & G Group	5.4	8.2	4.1
Target Group*	12.5	7.8	3.9
Dreyfus	1.0	6.8	3.4
Berkeley Technology	10.0	6.4	3.2
First Colonial Bankshares	17.5	6.1	3.1
Murray Technology*	30.0	4.2	2.1

* Unquoted

The big battalions will have "the clout."

He is also attracted by the mushrooming involvement of small investors once more. The Government's privatisation programme and, at the other extreme, the USM are generating a whole new pool of investors to be tapped. So Ensign has just bought 25 per cent of Hill Woolgar (to be renamed under new management) which will offer a broad range of services under one roof for small investors.

The overriding idea is that the financial services sector, development capital for industry and the personal savings market will become much closer related.

Just before Christmas shareholders voted through proposals for an asset swop between the trust and the pension fund of close to £90m each way, creating a portfolio for Ensign heavily biased towards the UK—87 per cent — and with 40 per cent of assets in unquoted stocks.

For investors Ensign now offers the chance to get into a wide selection of unquoted stocks, including some of the best known names in the City, with a smattering of companies ready to come to the market. Target, for example, is expected to achieve a full listing this year. One estimate suggests a market capitalisation of £120m for the life assurance and unit trust business that would add 6p a share to Ensign's current net assets of around 133p a share.

So far ahead of the revolutionary changes that face the City it is impossible to say with any confidence how the financial markets will shape up at the end of the decade. Or indeed whether the cocktail of financial services, personal finance and development capital under the umbrella of an investment trust can provide the extra benefits Philip Henderson is looking for from the tripartite marriage. "I have no idea whether we can make it work—but I think it will be made to work by the market place."

And there is no point in developing a formal structure for Ensign this early. "We have the bricks. If a built a wall the bulldozer of Big Bang could knock it flat and I would have to start again. We are saying that the bricks are there and the foundation work is done. What shape should the wall be? At the moment it is not sensible to even build one."

At least the below average discount of Ensign's shares to its assets of 8 per cent suggests that a number of people in the City are convinced that when he gets started he will not be building castles in the sky.

FT COMMERCIAL LAW REPORTS

Digest of Michaelmas Term cases

FROM NOVEMBER 29 TO DECEMBER 20 1985

Regina v London Regional Passengers Committee, ex parte London Borough of Brent and Others (FT, November 29).

When the London Regional Passengers Committee met to decide the procedure to be followed in a public inquiry on the closure of some London rail stations, it decided to exclude cross-examination of witnesses and final submissions by counsel. The objectors applied for, and were refused, judicial review. In dismissing their appeal, the Court of Appeal held that the committee's discretion to determine its own procedure ought not to be circumscribed by a too rigid insistence on procedures regarded as a necessary part of procedural fairness in ordinary civil litigation.

★

Inland Revenue Commissioners v Mobil North Sea Ltd (FT, December 3)

In an appeal by the Inland Revenue against a decision that Mobil's expenditure qualified for supplement in calculating petroleum revenue tax, the taxpayer argued that the licence was a contract and that since both the licence for exploring the Beryl field and the programme for constructing a platform were agreed before the cut-off date of January 1 1981, the expenditure was incurred "in pursuance of" a qualifying contract for the purposes of section 111 of the Finance Act 1981. Mr Justice Harman, rejecting the argument, said that nowhere in the legislation was a licence described as a contract. In the context, "in pursuance of," properly construed, meant "under" the relevant contracts, which were concluded only after the cut-off date.

★

Cartlidge v Chief Adjudication Officer (FT, December 4)

Mr Cartlidge worked as a colliery driver. Work ceased in March 1984 in response to a call by the National Union of Mineworkers for a strike. For some days he was prevented from working by violent picketing, but was able to return to work during the stoppage, and was then made redundant. After his redundancy he was refused unemployment benefit under section 19 of the Social Security Act 1975, which withholds benefit from a person who has become unemployed due to a trade dispute in which he is "directly interested." Although Mr Cartlidge was against strike action, the Court of Appeal held he had a direct interest in its outcome, and his disentitlement to benefit, incurred when he was prevented from working, survived for the duration of the stoppage.

★

Regina v Secretary of State for Social Services, ex parte Bomore Medical Supplies Ltd (FT, December 6)

Drugs, manufactured more cheaply in EEC countries and imported into the UK, were sold to chemists at advantageous discounts for dispensing under the National Health Service. The chemists were reimbursed their costs at the same rate as for more expensive English products. In order to protect taxpayers the Secretary of State amended the reimbursement scheme. The amendment unfavourably affected importers but not UK manufacturers. Two parallel importers won their case that this was a breach of Article 30 of the EEC Treaty as a "quantitative restriction" on imports. In dismissing the Secretary of State's appeal, the Court of Appeal held that any scheme whose object, let alone effect, was to reduce the competitiveness of cheaper imported drugs must be in breach of the Article.

★

Tett v Phoenix Property and Investment Co Ltd and others (FT, December 10)

The articles of association of Phoenix Property prohibited the transfer of shares where any member or his relatives "shall be willing to purchase the same." In the event of failure to agree a price, an auditor's valuation was to be determinative. Ninety ordinary shares were transferred to Mr Tett, a non-member, by one of the shareholder's executors. In allowing the company's appeal on the validity of the share transfer, the Court of Appeal held that the executors had failed to comply with the condition that they take reasonable steps to give the members an opportunity of purchase at a fair valuation.

★

Palatine Graphic Arts Ltd v Liverpool City Council (FT, December 11).

When Palatine agreed to leave its premises in Liverpool at the city council's behest, it was agreed that the council would pay a price equivalent to the compensation usually payable on compulsory purchase. In the result, almost the whole price consisted of compensation for disturbance. Palatine decided on relocation in Liverpool and received a regional development grant to do so. The council could not deduct the latter sum from damages for disturbance, the Court of Appeal held because (i) it would be contrary to the policy of assisting development areas and (ii) loss caused by disturbance on compulsory purchase and payment of the grant were awarded for intrinsically different reasons.

★

Nottinghamshire County Council v Secretary of State for the Environment; City of Bradford Metropolitan Council v Secretary of State for the Environment (FT, December 13)

In his Rate Support Grant report for 1985-86, the Secretary of State set expenditure targets for all local authorities. Three local authorities applied for judicial review on the grounds that (i) the Secretary of State's guidelines were not framed by reference "to principles applicable to all local authorities" within section 59 of the Local Government Planning and Land Act 1980 and (ii) he had exercised his powers "unreasonably." The Law Lords held that while one set of principles were to be applied to all local authorities, where the authorities were affected by different circumstances, application of the principles could reflect those differences. Moreover, the question of unreasonableness could only be examined if a *prima facie* case showed evidence that the Secretary of State had acted in bad faith, for an improper motive, or that the consequences of his guidance were so absurd that he must have taken leave of his senses.

★

Janred Properties Ltd v Ente Nazionale per il Turismo (No 2) (FT, December 17)

In negotiations concerning an option to purchase premises in London for the Italian Tourist Office (Enit) which was a state body with a legal personality, Janred's solicitors pressed for information regarding Enit's constitutional position, as well as the authority of its London signatory. After assurances were given, the option was signed. Enit failed to complete. Mr Justice Knox said that notwithstanding that the London signatory had failed to get the requisite ministerial consent for the purchase, Enit was estopped from denying the agreement's validity and was answerable in damages. The defence of *ultra vires* would have been applicable only if Enit's constitution did not allow for property purchase or if failure to receive ministerial authority rendered the agreement a nullity under Italian law.

★

Regina v Comptroller-General of Patents, Design and Trademarks, ex parte Gist-Brocades NV and Another.
Allen and Hanburys Ltd v Generics (UK) Ltd (FT, December 18).

Under the Patents Act 1977, "new existing patents" had their period automatically extended from 16 to 20 years, subject to a licence of right in the intervening four years. In related actions concerning the importation of drugs into the UK under patent, the House of Lords held that the Comptroller-General's discretion to include terms in a licence of right prohibiting importation would be referred to the European Court of Justice. With regard to his discretion to settle terms of licences of right (other than a probition on importation), the aim should be, as far as was practical, to enable any disputed terms to be settled by the date when the extended four-year period began. To that end, proceedings before the Comptroller-General could be started by the patentee or licensee before the end of the 16th year.

★

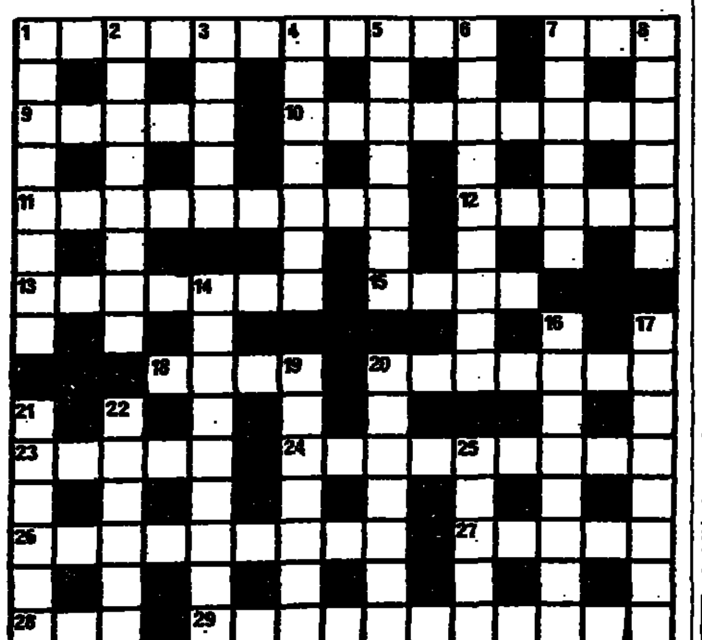
Williams & Humbert v W & H Trade Marks (Jersey) Ltd and others; Rumasa SA and others v Multinvest (UK) Ltd and Others (FT, December 20)

After the shares in a Spanish company were expropriated by the Spanish state, the company and an English company under its control sued for recovery of assets in England in two related actions. The defence was raised that the actions were an attempt by the Spanish state indirectly to enforce its expropriatory law. The House of Lords upheld orders to strike out the defence because the expropriatory law had already been enforced before the action began so that there was nothing left to enforce, and because any assets would be recovered by the company whose personality was separate from the state.

By Aviva Golden

FT Commercial Law Reports resume on Tuesday, January 14

F.T. CROSSWORD PUZZLE No. 5,918



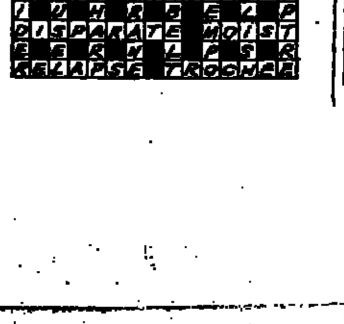
ACROSS

1 Time of arrival? (4,2,5)
7 Back transport system when union leader enters fray (3)
9 First time in the cabinet for this social group (5)
10 Barker returns to cover a new sport—hunting molluscs! (9)
11 Raising "Leave Arrangements," get into trouble (9)
12 Double time after 1 am, but not August 1st (5)
13 Scrap the use of "fortissimo" in poor clues! (7)
15 Putting a note in the stamped addressed envelope is prudent (4)
18 Somewhere to live, even (4)
20 Used to make people late in Spain (7)
23 Regularly taking drink around, is unique! (5)
24 Unusually nice about sin being involved before being hypocritical (9)
26 Phone round with another name for these remarkable people (9)
27 Right behind the one belonging to them (5)
28 Holding the ball, races the toddler (3)
29 Time of departure? (4,2,5)

DOWN

1 Get less to iron? (8)
2 Volunteers get new flutes, showing good artistic judgment (8)
3 After work there's time for some entertainment (5)
4 Humbly ask the emir breaking up soil (7)
5 Feels indignant about and gives piano away (7)
6 Bring her a free "Herald." (9)
7 Officially rescind the article and drive back round (6)
8 Naughty boy turned up to pester people (6).
14 A self-trained gangster story (9)
16 Meet me leaving to create, redesign and so on (2,6)
17 Rex reaches disaster investigation (8)
19 Spear provided free in the marquee (7)
20 Secret police smash gates in front of Post Office (7)
21 Covering the fish, get the head taken off (6)
22 One's in the lead, to be truthful (6)
25 Don't get upset about the egghead being famous (5).

Solution to Puzzle No 5,917



APPOINTMENTS

BSR International finance director

Mr Jack Haggarty has been appointed to the board of BSR INTERNATIONAL as finance director. Previously the group company secretary, he will be based at BSR's head office in Hong Kong, and succeeds Mr Philip Robinson, who resigned for personal reasons at the end of last year.

★

Mr Jack Green, development and technical manager, CRITTALL WINDOWS, has been appointed to the board as contracts director.

★

COLE GROUP has appointed Mr L. A. Squires as sales director of its subsidiary company, Plastic Products.

★

Mr T. R. Usher has retired as chief general manager of NATIONAL EMPLOYERS' MUTUAL GENERAL INSURANCE ASSOCIATION. He is succeeded by the deputy chief general manager, Mr S. E. Hallewell.

★

HALL AND TAWSE CONSTRUCTION has been launched with Mr Bill Hendry, Mr James Guthrie and Mr Norman Johnston as chairman, deputy chairman and managing director respectively. Mr Hendry is former managing director of William Tawse. Mr Guthrie was managing director of Alexander Hall and Son (Builders). Mr Johnston was formerly managing director of Reema Construction. Hall and Tawse has been formed by the integration of Alexander Hall, Tawse, Reema and Aberdeen builders, Hall and Robertson.

★

Following the acquisition of the Dawson bottling equipment division of Vickers, BARRY-WEHMILLER has restructured its management. Mr Michael G. Ashton has become finance director of the Barry-Wehmiller European Group. Prior to this appointment, Mr Ashton was commercial director of Vickers-Dawson. Mr Barry J. Turner, formerly marketing and planning director of Vickers-Dawson, has been appointed managing director of Dawson.

★

Mr David Dukes has been appointed managing director of ROSSFISH. He was finance director of Ross Foods and Young's Seafoods. He succeeds Mr George Foster, who has retired.

★

Mr Paul Cammies, director of project finance (and formerly Southwark Borough Treasurer) and Mrs Helen Roskott and Mr Guy Ormiston, both currently assistant directors, have been appointed directors of FULTON PREBON STERLING, the sterling money-broking subsidiary of International City Holdings.

BASE LENDING RATES

ABN Bank	12½%	■ Hambros Bank	12½%
Allied Dunbar & Co.	12½%	Heritable & Gen. Trust	12½%
Allied Irish Bank	11½%	■ Hill Samuel	§11½%
American Express Bk.	12½%	C. Hoare & Co.	12½%
Amro Bank	12½%	Hongkong & Shanghai	12½%
Henry Ansbacher	12½%	Johnson Matthey Bkrs.	12½%
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	13 %
Banco de Bilbao	12½%	Lloyds Bank	12½%
Bank Hapoalim	12½%	Edward Manson & Co.	13½%
Bank Leumi (UK)	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	11½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount Credit Corp. Ltd.	12½%
Bank of India	11½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	11½%
Beneficial Trust Ltd.	12½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	13½%
■ Brown Shipley	12½%	PK Finans. Intl. (UK)	13 %
CL Bank Nederland	12½%	Provincial Trust Ltd.	13½%
Canada Permanent	12½%	R. Raphael & Sons	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13 %
Cedar Holdings	12 %	Royal Bank of Scotland	11½%
■ Charterhouse Japhet	12½%	Royal Trust Co.Canada	12½%
Citibank NA	12½%	Standard Chartered	12½%
Citibank Savings	¶12½%	TCB	12½%
City Merchant Bank	11½%	Trustee Savings Bank	12½%
Clydesdale Bank	12½%	United Bank of Kuwait	12½%
C. E. Coates & Co. Ltd.	12 %	United Mizrahi Bank	12½%
Comm. Bk. N. East	11½%	Westpac Banking Corp.	11½%
Consolidated Credits	12½%	Whiteaway Laidlaw	13 %
Continental Trust Ltd.	12½%	Yorkshire Bank	12½%
Co-operative Bank	*12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
Financial & Gen. Sec.	12½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptrs.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.70%. 1-month 9.03%. Top Tier—£2,500+ at 3 months notice 12.06%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9% gross.
¶ Mortgage base rate.
§ Demand dep. 8%. Mortgage 13%.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE — Dlg. 01-236 3885

International Growth	122.0	130.5xd	+0.4	1.00
Income & Growth	45.2	48.1	+0.1	2.90
Special Situations	65.7	70.1xd	+1.2	2.10
American Growth	29.2	31.1	−0.3	3.10
Japan Growth	34.7	37.0	−0.4	0.00
European Growth	51.5	55.0	+0.6	2.90
UK Growth	44.2	47.5xd	−0.7	1.30
Pacific Growth	33.5	35.8xd	−0.4	0.70
High Income	29.2	31.3xd	−0.2	8.10
Practical Income Units	44.2	47.1	−0.4	2.70
Practical Accum. Units	79.4	84.6	−0.8	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB — 01-405 8441

Pearl Growth Fd.	71.3	75.8	−1.0	2.78
Accum Units	105.4	112.1	−1.4	2.78
Pearl Inc.	96.3	102.4	−1.4	4.86
Pearl Unit Tst.	102.2	108.7xd	−1.5	3.84
(Accum. Units)	175.0	186.2	−2.6	3.84
Pearl Intl Equity	102.6	109.1	−0.3	1.83
(Accum Units)	102.6	109.1	−0.3	1.83

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames — 0491 576868

International Growth	215.8	231.6	−4.4	1.42
Income	153.0	163.9	−2.0	5.95
Worldwide Recovery	121.6	130.5	−2.6	2.13
American Growth	58.8	63.1	−2.4	1.08
Intl. Emerging Cos.	65.2	70.0	−1.4	0.73
Far East Growth Fd.	52.2	56.0	−0.6	1.14

Prolific Unit Trusts
222 Bishopsgate, London EC2 — 01-247 7544/7

Prolific American Inc	49.7	53.4	−0.7	4.99
Prolific Far East	112.5	121.0	−0.9	0.28
Prolific Extra Inc.	66.3	71.3xd	−0.5	9.79
Prolific G'vert & Gilt	80.6	86.7	−0.7	7.27
Prolific High Inc	140.8	151.4	−1.5	5.01
Prolific Intl.	89.7	96.4	−1.4	1.84
Prolific N. Amer	120.6	129.7	−1.5	1.96

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh — 031-226 3271

American Fund	194.0	206.9	−3.9	2.32
(Accum. Units)	217.8	232.4	−3.7	2.32
(Withdrawal Units)	140.4	149.8	−2.4	2.32
Australian Fund	110.4	117.6	+1.8	0.99
(Accum. Units)	111.6	118.9	+1.8	0.99
British Fund	473.1	504.3	−4.8	4.65
(Accum. Units)	629.6	671.3	−6.4	4.65
European Fund	229.0	243.9	+0.5	1.00
(Accum. Units)	241.0	256.8	+0.5	1.00
Japan Fund	211.5	225.4	−1.9	0.37
(Accum. Units)	212.1	226.1	−1.9	0.37
Smiths PPP	145.2	152.7	—	—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham — 0403 56293

Equity Tst.	329.1	350.1	−7.1	2.52
North America	51.2	54.4	−1.1	1.80
Far East	54.6	58.0	−0.6	0.94

Sun Life Trust Mngmt. Ltd
107 Cheapside, London EC2V 6DU — 01-606 6010

American Growth Acc.	25.3	26.9xd	−0.1	1.9
American Income Acc.	25.6	27.2xd	−0.4	4.6
American Income Inc.	25.2	26.9xd	−0.3	4.6
European Growth Acc.	41.4	44.0	+0.4	2.0
Far East Growth Acc.	28.8	30.6	−0.1	0.8
Int. Growth Acc.	27.9	29.7	−0.2	0.8
Japan Growth Acc.	34.4	36.6xd	−0.3	0.3
UK Growth Acc.	29.0	30.8xd	−0.5	2.4
UK Income Acc.	26.5	28.2xd	−0.4	4.4
UK Income Inc.	25.9	27.6xd	−0.3	4.5
Managed Growth Acc.	32.1	34.2	+0.1	2.2
Managed High Yield Inc.	32.7	34.8	−0.2	6.8
Managed Income Inc.	27.4	29.1	−0.3	4.3

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks — 0732 450161

Equity Dist.*	239.5	253.4	—	3.78
Equity Acc.*	288.3	305.0	—	3.78
Fixed Int. Dist.†	115.1	119.2	—	11.95

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Mutual Assurance Society
109 St Vincent St, Glasgow 041-248 6321

Flex End Nov 15	460.2	480.6	—	—
Pen Mngd Sept 30	421.1	434.1	—	—

Scottish Mutual Investments
109 St Vincent St, Glasgow 041-248 6321

Safety Fund	102.6	108.1	-0.8	—
Growth Fund	102.1	107.5	-1.0	—
Opportunity Fund	104.8	110.4	-1.3	—
Cash Fund	99.0	104.3		—
European Fund	140.9	148.4		—
Gilts & Fxd Int Fund	99.3	104.6	+1.6	—
Index-Linked Fund	92.0	96.9	-0.3	—
International Fund	109.6	115.4	-0.6	—
North American Fund	92.8	97.7	-0.7	—
Pacific Fund	106.5	112.2		—
Property Fund	99.1	104.4	-1.1	—
UK Equity Fund	101.3	106.7		—
UK Smaller Cos. Fund	106.2	111.8	-2.0	—
Pens Safety Fnd	97.5	102.7	-1.6	—
Pens Growth Fnd	98.2	103.4	-0.4	—
Pens Opportunity Fnd	99.0	104.3	-0.7	—
Pens Halifax Fnd	97.4	102.6	-0.7	—
Pens Cash Fund	97.0	102.2		—
Pens European Fnd	120.0	126.4		—
Pens Gilts/Fxd Int Fnd	94.0	99.0	+1.0	—
Pens Index-linked Fnd	92.0	96.9	-0.5	—
Pens International Fnd	107.9	114.6	-0.8	—
Pens Nth American Fnd	106.3	111.9	+0.4	—
Pens Pacific Fnd	99.7	105.0	-2.3	—
Pens Property Fnd	96.9	102.1	-1.1	—
Pens UK Equity Fnd	95.8	100.9		—
Pens UK Smlr Co's Fnd	97.4	102.6	-1.8	—
			-1.4	—

Scottish Provident Institution
6 St Andrews Sq, Edinburgh 031-556 9181

Mixed	122.3	128.9	-1.5	—
Equity	134.5	141.7	-1.8	—
International	129.5	136.4	-3.4	—
Property	114.6	120.7		—
Fixed Interest	106.5	112.2		—
Index-Linked	94.5	99.6	-0.5	—
Cash	108.9	114.2	-1.3	—
Pens. Mixed Init.	119.2	125.6	+0.1	—
Do. Ord	127.7	134.4	-1.5	—
Pens. Equity Init	134.7	141.9	-1.6	—
Do. Ord	144.1	[illegible]	-2.0	—

Sun Life Unit Assurance—Contd.
Sun Life Pensions Management Ltd
(funds for individual pension contract)

Pens. Managed Acc.	361.2	369.7	-2.9	—
Pens. Property Acc.	168.3	177.2	+0.1	—
Pens. Equity Acc.	448.6	472.3	-6.5	—
Pens. F. Interest Acc.	179.8	189.3	-1.0	—
Pens. Ind. Lnkd. Acc	103.5	109.0	-0.4	—
Pens. Cash Acc	179.7	189.2	+0.1	—
Pens. Amer. Equity Acc	145.6	153.3	-2.9	—
Pens. U.S. Bonds Acc.	121.4	127.8	-2.0	—
Pens. Japan Acc.	144.0	151.6	+0.5	—
Pens. Pacific Acc.	133.6	140.7	+1.2	—
Pens. Far Eastern Acc.	396.0	416.9	-1.8	—
Pens. Internat. Acc.	356.5	375.3	+0.3	—
Pens. U.S. Dollar Acc.	102.3	107.7	+0.2	—
Pens. Yen Acc.	111.5	117.4	-0.1	—
Pens. Euro. Curr. Acc.	105.8	111.4	-0.9	—

Swiss Life Pensions Ltd
99-101 London Rd, Sevenoaks 0732 450161

Equity	£199.00	205.15	—	—
Fixed Int.	£137.47	138.16	—	—
Index Linked	£106.83	107.36	—	—
Property	£158.90	163.81	—	—
Cash	£127.45	127.45	—	—
Mixed	£186.50	192.26	—	—
International	£166.36	171.50	—	—

Next sub day Jan 15

TSB Life Ltd
PO Box 3, Keens Hse, Andover SP10 1PG 0264 62188

Managed Fund	127.2	134.0	-0.3	—
Property Fund	116.2	122.4	-0.1	—
Fixed Int. Fund	114.8	120.9	-0.6	—
Money Fund	112.0	118.0		—
Equity Fund	155.8	164.2	-0.1	—

TSB Pensions Ltd.

Managed Pension	275.9	290.5	-1.7	—
Deposit Pension	105.4	111.0		—

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 5941

Managed	321.1	338.0	-3.5	—
Property	253.1	266.5		—
Fixed Int.	156.3	164.6	-1.3	—
UK Equity	352.1	370.7	-11.3	—

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV		$14.33	-0.07	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd		14.95		—

Inv. Adv. M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech		$11.92	-0.02	—
Dynamic Grwth Fd		$11.03		—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$10.61	11.24	

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.20			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11.14	8.33	12.19	6-mth
7-day Fnd	11.11	8.30	12.13	6-mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	10.66	7.97	11.61	6-Mth
7-day Fund	11.18	8.36	12.19	6-Mth
Dollar	8.69	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Chr Acc	11.00	8.00	11.78	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	11.00	8.22	12.11	Qtr
Mth. Int. Chq.	11.000	8.22	12.18	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIBCA	11.50	8.60	12.78	mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	11.00	8.22	12.20	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.00	8.25	12.3	Qtr
Britannia Investment Services Ltd. 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	10.75	8.04	11.91	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.13	8.32	12.34	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4.33	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
[illegible]				
Over £10,000	11.0	8.22	12.20	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 24141				
High Int Chq Acc	11.63	8.69	12.83	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk.	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	35	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	53	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	110	Peachey	24
Grand Met	38	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit. Oil & Min.	3½
GKN	20	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd.	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

OFFSHORE AND OVERSEAS

For UK Life see Windsor Life Assur.

COMMODITIES AND AGRICULTURE

Aluminium producers may launch price index

By John Wicks in Zurich

THE EUROPEAN aluminium industry is believed to be considering the establishment of a price index for the metal based on invoiced prices in a bid to supplant London Metal Exchange quotations.

Alusuisse, the Swiss-based producer, is taking steps in this direction, and Dr Bruno Sorato, its chief executive, said this week that he believed other companies would be prepared to make similar moves.

Dr Sorato said the realities of the market would be better reflected by an index calculated by collating figures from three or four leading European producers.

The European aluminium companies have long been unhappy with the LME's aluminium contract. But at present, only Pechiney of France publishes a price index of its own—the "Pip" quarterly index. Coincidentally, the head of Pechiney's aluminium division, Mr Georges Yves Kervern, expressed renewed frustration with the LME contract only last month.

Dr Sorato said the new index need not be based on the Pechiney system. The prices should, however, be capable of being collated in order to yield a representative average, which could best be quoted in a European currency or group of currencies such as the German mark or the European Currency Unit.

"We aluminium producers of Europe feel public opinion gives too much weight to LME prices," Dr Sorato said. These were based largely on speculative movements, only a fraction of all LME involved physical transactions.

Alusuisse estimates that total production of primary aluminium was of some 11.8m tonnes last year, as compared with probable LME transactions in the metal of about 26m tonnes. Over the past years, the LME is said to have handled between two and three times world output annually in what were almost entirely paper transactions.

Of overall primary output, about 60 per cent generally remains within integrated light metal companies. In the long term, with fluctuations dictated by the size of stockpiles, about 40 per cent of production is thus involved in physical trading. Only a fraction of this—an estimated 110,000 tonnes in 1985—passes through the LME.

The industry is also concerned at what it feels has been a ripple effect in the LME from the collapse of the tin market.

Oil companies continue to run down stocks

BY DOMINIC LAWSON

OIL COMPANIES are continuing to run down their stocks to unprecedentedly low levels, despite the fall in oil prices, according to the monthly International Energy Agency oil market report published today.

The latest IEA report shows that oil stocks on land held by OECD companies amount to only 324m tonnes, the lowest January 1 figure recorded in the 12 year history of the agency. This represents 73 days of forward consumption by industry, the lowest figure since 1977, before the second oil price shock.

The IEA said that, compared with the highest level recorded, in 1980, company-held stocks have been drawn down by almost a third. The downward pressure sustained destocking exerts on prices was illustrated yesterday by an announcement by Egypt that it would cut its crude oil export prices by between $1 and $1.35 a barrel. Egypt is not a member of the Organisation of Petroleum Exporting Countries (Opec), and produces about 900,000 barrels of oil a day.

In Europe and the US yesterday oil prices remained weak, in advance of a meeting of Opec ministers in three weeks, which has been called to draw up means of defending the Organisation's dwindling share of the oil market. On the New York Mercantile Exchange prices slipped by over 50c a barrel, and falls of similar size were seen in the European market, with March cargoes of Brent crude trading below $23 a barrel.

An oil trader said yesterday "There is an awful lot of unsold oil floating about, including 22 cargoes of North Sea crude for delivery this month. It is difficult to see how they will all be sold."

The IEA report shows that the main reason for the recent crude oil glut is the rapid increase in production by Saudi Arabia. The Agency said that Saudi production in December was 4.5m b/d, compared with an October level of 3.8m b/d.

The report estimates that total Opec production in 1985 averaged 15.9m b/d, just below its official production ceiling of 16m b/d. However Opec's production was "possibly over 18m b/d in December" the agency claims.

Oil consumption in OECD countries fell by 1.3 per cent in the third quarter of 1985, but the agency estimates an increase of 0.5 per cent in the fourth quarter, compared with the same period in 1984.

Chilean copper mine deal

BY KENNETH MARSTON IN LONDON AND OLLI VIRTANEN IN HELSINKI

DEVELOPMENT OF another major copper mine looms following the agreement of Finland's Outokumpu, a major producer and refiner of base metals, to take a 25 per cent stake in the Cerro Colorado copper deposit in Chile. This would leave the remaining 75 per cent in the hands of Rio Algom, the Rio Tinto-Zinc group's Canadian arm.

Rio Algom acquired an option on Cerro Colorado following the withdrawal of Nippon Mining in 1980. Technical studies carried out by Rio Algom in 1984 confirmed the feasibility of a 14,000 tonnes of ore per day open-pit operation for an annual output of 60,000 tonnes of copper contained in concentrates.

It was considered that the project would be cost competitive but economic viability would be dependent on an increase in copper prices. It was also expected that a large part of the financing—now put at somewhat over $200m—would be tied to concentrate sales.

Rio Algom now says that while no final decision has been taken to proceed with the project and a number of issues remain to be settled, substantial headway has been made on the financing. External money-raising will be arranged to a maximum degree by regional development bank financing and import credits.

The agreement reached between Rio Algom and Outokumpu gives the latter the right to buy one-third of the mine's concentrate output over its estimated life of 14 years. The Finnish company is anxious to obtain concentrate feed stock for its refineries now that the supply from mines in Finland is falling.

To this end the Outokumpu last year paid $7m to take a 49 per cent stake in Pancontinental Mining's high grade Australian Lady Loretto zinc-lead-silver venture in Queensland.

Development of Cerro Colorado, with reserves last estimated at 70m tonnes of sulphide ore grading 1.33 per cent copper, would strengthen the RTZ group's involvement in new copper projects.

It follows last year's decision to take a 49 per cent stake for some $87m in the high grade Neves Corvo copper deposit in Portugal.

More recently RTZ acquired for $48m a 30 per cent interest in the huge La Escondida copper project in Chile which will cost some $1.1bn to take to production. The other partners are Broken Hill Proprietary (60 per cent) and Mitsubishi Mining (10 per cent).

Tea poison threat worries Sri Lanka

BY MERVYN DE SILVA IN COLOMBO

HIT BY a price slump and threatened with a three-month-long, half-a-day work stoppage by Indian Tamil plantation labour beginning next week, Sri Lanka's main export has received another blow. Reports that arsenic has been put into the tea bound for overseas markets has caused great concern among some export firms and their local agents. The report has been dismissed by the Government as a "canard" spread by expatriate Tamil separatists.

The plantations minister, Mr Montague Jayewickrema has invited diplomats representing the island's main buyers to a meeting today.

Tea brings Sri Lanka over 40 per cent of its foreign exchange earnings.

Yesterday, Brooke Bonds, the agents for Bushells, one of Australia's leading exporters, confirmed that it had suspended purchases. Compared to US, UK, Egypt, Iraq and other Middle Eastern buyers, Australia is a small market. In the 12 months ending June 1985, it purchased 3.8m kilos.

Setback for Tin Council rescue plan

HOPES THAT the European Community could support the latest rescue plan to bail out the crippled International Tin Council slumped yesterday after several hours of negotiations in Brussels came to nothing.

While some Community officials claimed that the plan had provoked some muted approval from EEC member states, which are all members of the ITC, it has so far proved insufficient to win the backing of West Germany, France and the Netherlands. These three countries have so far blocked attempts by other tin council members, including the UK, to start negotiations with the metal traders and bankers who are owed hundreds of millions of pounds by the ITC.

Optimistic forecasts had suggested that the latest rescue proposals, which involved the creation of a company to take over the tin council's assets and liabilities, could have been formally approved today at ambassadorial level, by the EEC's committee

Jakarta exchange begins physical coffee trading

BY CHRIS SHERWELL AND KIERAN COOKE IN JAKARTA

INDONESIA'S fledgling commodities exchange took another cautious step forward yesterday when physical trading in coffee was added to the rubber trading which began last April.

In a ceremony at Jakarta's Stock and Commodity Exchange building, Mr Rachmat Saleh, the Trade Minister, sounded a gong to initiate open outcry trading among some 30 brokers and traders.

"The exchange will allow price formation to take place in an orderly manner," Mr Saleh said. "Its establishment is important for our producers and our traders."

There are hopes that trading in a third commodity will start on the exchange later in 1986. Mr Saleh, and exchange officials refused to say which is being most seriously considered, but plywood is widely regarded as the main contender.

Indonesia is one of the world's top five coffee producers. Output last year was close to 1984 levels, when production reached a record 360,000 tonnes. Usually up to 90 per cent is exported, and earnings in the current year are expected to top $650m. Coffee is also one of the very few Indonesian commodities with buoyant prices, helped by worries over Brazil's drought-stricken crop. Petroleum, rubber, palm oil and timber prices are all weak, and international tin trading remains suspended.

For the exchange the trend in rubber has resulted in disappointing volumes so far. About 2,000 tonnes has been traded, for local delivery and fob. Futures trading is not yet permitted.

Trading in coffee will be in five-tonne lots of robusta coffee for spot and forward delivery only at Indonesian ports.

The immediate aim is to allow the easy establishment of an Indonesian coffee price. Currently farmers and traders rely mainly on radio reports from abroad.

Indonesia has an estimated 2m coffee farmers, and up to 10m people involved in coffee-related business.

US expected to drop wheat loan rate

By Nancy Dunne in Washington

THE US Department of Agriculture is expected to announce today provisions of its wheat programme, under the new Farm Act, including one which would lower the loan support rate to $2.40 per bushel.

According to the National Association of Wheat Growers, the Agriculture Department will drop the loan rate to the lowest point allowed under the new Farm Act and thus choose the option of paying higher subsidies on the chance of exporting more wheat. US farmers are guaranteed $4.38 per bushel, but each grower has a $50,000 payment limitation.

Private analysts estimate that 1986 wheat production will amount to about 2.4bn bushels, slightly less than last year's output.

The Association is also predicting that the Agriculture Department will institute a stringent acreage reduction scheme which would order those farmers who receive government benefits to take 25 per cent of their land out of production.

Currency strength hits NZ wool sales

BY DAI HAYWARD IN WELLINGTON

PRICES FOR New Zealand wool at 1986 auction sales, which started this week, will depend more on world currency fluctuations and the relative strength of the New Zealand dollar, than on market demand. In the second half of 1985 these factors played a vital role in setting both the prices and the quantity of wool sold through the auction system. They necessitated fundamental changes in the thinking and buying patterns of both dealers and those involved in the country's wool industry, which has an output only exceeded in Australia and the Soviet Union.

A misjudgment of the continued strength of the NZ dollar after its value was allowed to float early in the year, forced the NZ Wool Board into a major buying operation to protect the minimum price guaranteed to wool growers.

This saw the Board's stockpile soar from 38,000 bales in July to 160,000 bales in early December. At the Napier sale on October 10 the board bid on 64 per cent of the 13,990 bales on offer to maintain floor prices. It had to buy 27 per cent. At the Christchurch sale on October 16, it lowered its intervention price but still finished up buying 3,000 bales—52 per cent of the wool offered. This highlighted how overseas buyers were holding back from bidding at the high NZ dollar exchange rate.

Like most organisations concerned with the value of the NZ dollar the Wool Board expected it to decline after the flotation. And the Board fixed its intervention price to hold a minimum price for growers based on this assessment. When the NZ dollar rose in value, against all predictions, the Board found there were very few competitors bidding against it at its intervention price.

This, and the high local interest rates — averaging around 24 per cent—caused a drop in demand for NZ wool and a dip in prices over the second half of 1985.

At the end of last season the market indicator price for NZ wool in the auction ring was NZ$5.07 a kilo. At the start of the new season in July it was NZ$4.85 and by November 29 it had sunk to NZ$4.35. Then the sudden collapse of the NZ dollar early in December pushed the market indicator price for wool at the last sale of the year back up to NZ$4.83.

At the last two sales of 1985 the Wool Board was able to offload almost ten thousand bales from its stockpile and it is confident that increased demand over the next six months will see the stockpile go down considerably by the middle of this year.

A drop in production of NZ wool of around six per cent is predicted for the 1985-86 season. The amount coming into the auction ring in the last six months of 1985 was actually down ten per cent compared with 1984 but some of the decline was due to late shearing and other weather conditions.

Total production is estimated to be 353,000 tonnes compared with 373,000 tonnes for last season.

NZ woolmen certainly have more optimism over prospects and prices for 1986 than they did only three months ago.

Much depends on the buying activity, or lack of it, of both China and Japan. China, which has had its own problems with the US dollar, was one of the major customers particularly affected by the volatile NZ dollar. Sales to China over the past six months were well down compared to the previous season but New Zealand hopes China buyers will be back in force early this year.

In the quarter which ended in September, wool exports to China were down to 2,500 tonnes against 5,947 tonnes for the same period of 1984. Exports to Japan were down from 7,766 tonnes to 4,537 tonnes.

But there are indications that Japanese buyers need to replenish stocks.

The high value of the NZ dollar, the volatile exchange rate and the very high interest rates also discouraged customers in other countries from holding large stocks and the need for them to obtain new supplies early this year could contribute to strengthen demand. This will apply particularly to New Zealand's own domestic manufacturing industry, which suffered a downturn and loss of export trade last year.

LONDON MARKETS

THE SELL-OFF in coffee futures gained pace yesterday with the March position, which lost £84 on Wednesday, falling another £151.50 to £2,772 a tonne, more than £300 below the 8½ year peak reached during the day on Tuesday. Dealers attributed the fall to speculative long-liquidation and profit-taking in a continued reaction to the previous dramatic upsurge. They said chart patterns had signalled that a technical correction was overdue and operators were well aware that the market had become seriously over-bought. However, they noted that fundamental factors remained bullish with internal prices in Brazil, where crops have been hit hard by last year's drought, still rising strongly. Many traders expected the market to resume its upward course once the more nervous holders of long positions had been shaken out. The rise in UK interest rates had influenced the rate of selling this week, they added, as it made speculative positions more expensive to finance. On the London Metal Exchange forecasts of a large increase in LME stocks in the near future pushed zinc prices sharply lower. The cash position ended the day £16 down. LME prices supplied by Amalgamated Metal Trading.

INDICES

FINANCIAL TIMES

Jan. 9	Jan. 8	M'th ago	Year ago
—	—	—	293.52

(Base: July 1 1952 = 100)

REUTERS

Jan. 9	Jan. 8	M'th ago	Year ago
1607	1653	1740.5	1932.0

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Jan. 9	Jan. 8	Month ago	Year ago
Spot	132.46	131.86	—	131.14
Futs	134.66	136.51	—	134.50

(Base: December 31 1974 = 100)
* Not available due to suspension of the LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Jan. 9 1986	+ or −	Month ago
METALS			
Aluminium			
Free Mkt	$1090/200	+15	$1100/20
Copper			
Cash h Grade	£974.5	+3.75	£969.25
3 mths	£1001.25	+3.75	£991.25
Gold Troy oz	$335.25	+2.5	$317.5
Lead Cash	£259.5	+2.5	£267.5
3 mths	£270.5	+1.75	£275.75
Nickel			
Free Mkt	190/215c	+1	181/281c
Palladium oz	$101.50	+1	$93.95
Platinum oz	$356.25	+1.25	$330.50
Quicksilver†	$270/280		$270/280
Silver troy oz	409.20p	+1.80	402.45p
3 months	421.05p	+1.85	413.30p
Tin cash	‡		‡
3 months	‡		‡
Tungsten	$56.92		$57.77
Wolfram 22.04lb	$56/61		$58/64
Zinc	£439.5	−16	£471
3 months	£453.75	−15.5	£471.5
Producers	$680/700		$680/670
OILS			
Coconut (Phil)	$425y		$395
Palm Malayan	$362.5		$395
SEEDS			
Copra Phil	$280v		[illegible]
Soyabean (U.S.)	$229.5	+1.5	$217.5
GRAINS			
Barley Fut. Mar.	£114.90	−0.50	£113.55
Maize	£142.00		£142.50
Wheat Fut. Mar.	£116.20		£115.75
No. 2 Hard Wint.	‡		
OTHERS			
Cocoa Ft. May	£1733.5	+6	£1748.5
Coffee Ft. Mar.	£2772	−151.5	£2613.5
Cotton A Index	50.55c	+0.50	50.75c
Gas Oil Mar.	$211.5	−5.25	$224
Rubber (kilo)	57p		57.5p
Sugar (raw)	$128.5v	−1	$130
Woolteps 64s	537p kilo		480p kilo

‡ Unquoted. † Per 76-lb flask. c Cents per pound. v Jan-Feb. z Feb.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	772-5		
3 months	801.5-2	−3.5	811.5/797

Official closing (am): Cash 778.5-80.5 (778.5-9.5); three months 807-8 (805.5-4); settlement 780 (779.5). Final Kerb close: 796-7. Turnover: 12,600 tonnes.

COPPER

Higher grade	Unofficial close	+ or −	High/low
Cash	974-.5	+3.75	978/976
3 months	1001-.5	+3.75	1003/999

Official closing (am): Cash 975.5-6 (966.5-7.5); three months 1,000-.5 (994-.5); settlement 976 (967.5). Final Kerb close: 999-1,000.

Cathodes			
Cash	963-5	+8.5	968/966
3 months	991-3	+5.5	—

Official closing (am): Cash 965-6 (953.5-4); three months 991-4 (982-4); settlement 966 (954). Turnover: 17,500 tonnes. US Producer prices 68.00-72.00 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	258.5-60.5	+2.5	260/259.5
3 months	270-1	+1.75	272.5/270

Officials closing (am): Cash 259.5-60 (256-.25); three months 270-.5 (268-9); settlement 260 (256.25). Final Kerb close: 270-1. Turnover: 11,150 tonnes. US Spot: 18.50-20.00 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	2960-5	−22.5	
3 months	2985-90	−30.0	2970/2950

Official closing (am): Cash 2,895-900 (2,860-80); three months 2,925-30 (2,940-5); settlement 2,900 (2,880). Final Kerb close: 2,940-50. Turnover: 690 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	439-40	−16.0	—
3 months	453.5-4.5	−15.5	4 2453

Official closing (am): Cash 439-41 (454-5); three months 454.5-5 (465-5); settlement 441 (455). Final Kerb close: 452-3. Turnover: 13,650 tonnes. US Prime Western: 33.00-35.75 cents per pound.

GOLD

Gold rose $2¾ an ounce from Wednesday's close in the London bullion market yesterday to finish at $335-335½. The metal opened at $332¾-333¼ which proved to be the day's low but improved on early buying to touch a high of $335¼-335¾. Gold finished slightly below the day's high however on nervousness created by rumours that Arab states would liquidate their dollar investments in response to the US stand over Libya.

GOLD BULLION (fine ounce) Jan. 9

Close	$335-335½	(£231¼-231¾)
Opening	$332¾-333¼	(£231-231½)
M'n'g fix	$333.90	(£231.121)
Aft'n'n fix	$333.50	(£231.164)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$335½-336	(£231¾-232)
½ Krug.	$177¾-178¼	(£122¾-123)
¼ Krug.	$90¾-91¼	(£62¾-63)
1/10 Krug.	$37-37½	(£25½-26)
Mapleleaf	$344½-345	(£238-238¼)
Angel	$342-345	(£235¼-238¼)
1/10 Angel	$33½-38½	(£23¼-26½)
New Sov.	$80-80½	(£55¼-55½)
½ New Sov	$46¾-47½	(£32¼-32¾)
Old Sov.	$88-89½	(£60¾-61¾)
$20 Eagle	$440-480	(£303¾-331½)
Noble Plat	$365½-369¾	(£252½-255¼)

SILVER

Silver was fixed 1.8p an ounce higher for spot delivery in the London bullion market yesterday at 409.2p. US cent equivalents of the fixing levels were: spot 590.55c, up 1.15c; three-month 601.35c, up 1.05c; six-month 612.8c, up 1.3c; and 12-month 637.3c, up 3.2c. The metal opened at 408½-410½p (589-591c) and closed at 412½-414½p (598-600c).

SILVER per troy	Bullion Fixing Price	+ or −	L.M.E. p.m. Unofficl	+ or −
Spot	409.20p	+1.80	412p	+8
3 months	421.05p	+1.85	424.75p	+7.25
6 months	433.50p	+1.85	—	—
12 months	459.15p	+2.25	—	—

LME—Turnover: 94 (34) lots of 10,000 oz.

Three months high 425p, low 418.5p, final Kerb 424.5p.

MEAT

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Feb	100.90	100.90	101.00-100.50
April	101.80	102.50	102.00
June	99.70	99.80	—
Aug	97.80	98.20	98.00-97.85
Oct	103.80	104.10	—
Nov	105.00	105.40	105.25-105.00

Sales: 58 (33) lots of 50 carcases, 3,250 kg.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 97.91p per kg lw (+0.54). GB—Sheep 02.33p per kg est dcw (+19.26). GB—Pigs 74.97p per kg lw (−3.61).

Although physical prices eased futures values remained unchanged, reports Eastern Capital-CCST.

COCOA

In fairly light volume futures remained in a $23 range and closed on a steady note near the highs. Producers continued withdrawn but some limited consumer and second-hand interest was seen, reports Gill and Duffus.

COCOA	Yesterday's close	+ or −	Business done
	£ per tonne		
March	1729-1730	+18.0	1751-1728
May	1732-1734	+6.0	1749-1721
July	1752-1753	+7.0	1765-1740
Sept	1776-1777	+8.5	1778-1767
Dec	1789-1790	+10.0	1785-1778
March	1809-1810	+11.0	1815-1800
May	1830-1835	+12.0	—

Sales: 2,748 (3,652) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for January 9: 105.51 (105.70). Five-day average for January 10: 107.19 (108.15).

COFFEE

Continued liquidation caused heavy losses with further profit-taking depressing levels by as much as £175. A poor performance in New York kept the market under pressure, reports Drexel Burnham Lambert.

COFFEE	Yesterday's close	+ or −	Business Done
	£ per tonne		
January	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]

Sales: 1,737 (1,490) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for January 8: Comp daily 1979 228.17 (233.83); 15-day average 203.53 (199.78).

FREIGHT FUTURES

A reported rise in the physical market resulted in futures opening on a steady note. Gains were registered throughout the morning, but light profit-taking halved the gains by the close, reports Clarkson Wolff. The Baltic Freight Index was 914.5, up 9. The Baltic Tanker Index was 927.5, down 19.5.

	Close	High/Low	Prev.
Jan.	914.5/916	920/912	910/911
April	985/986	986/983	971/974
July	841/846	846/842	840/843
Oct.	944/945	946/940	938/938
Jan.	940/945	—	925/948
April	1010/1030	—	1010/1020
July	860/870	—	860/870
Oct.	965/985	—	970/980

Turnover: 310 (143).

GRAINS

Old crops were again easier with barley finding little buying interest against long liquidation despite encouraging export figures. Wheat remained in a narrow range while barley declined throughout the day. New crops eased slightly on country selling, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or −	Yesterdys close	+ or −
Jan	115.35	—	112.00	−0.35
Mar	116.20	—	114.95	−0.50
May	119.20	−0.05	117.05	−0.05
July	121.35	−0.15	—	—
Sept	99.75	−0.35	99.50	−0.20
Nov	102.80	−0.20	102.70	−0.30

Business done—Wheat: Jan 113.40-3.30, March 116.15-6.05, May 119.25-9.10, July 121.35-1.30, Sept 100.00-99.75, Nov 103.00-2.80. Sales 208 lots of 100 tonnes. Barley: Jan 112.00 only, March 115.30-4.85, May 117.30-7.05, Sept 99.80 only, Nov 103.00-2.70. Sales: 86 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent Feb 138.50, March 139.75 sellers transhipment east coast. US No 2 soft red winter Jan 127.25, Feb 127.75, March 128.25 seller. EC French Jan 135. English feed fob Feb 118 paid Boston. Jan 118, March 119.50 sellers; April 120.50-121.00, April/May/June 121.50-122.50 buyer/sellers, Aug-Sept 101.50 value, Oct-Dec 107.00 buyer. Maize: US No 3 yellow/French transhipment east coast Jan 142. Barley: English feed fob Jan 117, English 118, Scottish, Feb 117.50 value, March 118.50 buyer, April-June 121.50-122.50 buyer/sellers. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed barley: S. East 110.80. The UK monetary coefficient for the week beginning Monday January 13 will be unchanged.

US MARKETS

PRECIOUS METALS rallied sharply on fears that foreign investors would liquidate US assets and on reaction to the US freeze on Libyan assets, reports Heinhold Commodities. Copper firmed in sympathy with the strength to sterling and precious metals. Aluminium traded generally steady on profit-taking. Sugar came under light pressure on a lack of follow-through and commission house selling. Long liquidation on the lack of fresh bullish news kept coffee values on the defensive. Cocoa gained ground on manufacturer pricing and short-covering ahead of the US grind figures. Cotton traded mixed with early gains attracting better cash offers. The energy complex remained under pressure on the larger than expected build-up in refiner stocks and on forecasts of above normal temperatures in the North-East. The soyabean complex was choppy on uncertainty over the Brazilian situation. The grain complex firmed with wheat attracting short-covering ahead of the USDA report today.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Jan	52.75	—	—	52.80
Feb	53.10	—	—	53.25
March	53.45	53.90	53.30	53.55
May	54.05	54.40	53.90	54.15
July	54.65	—	—	54.75
Sept	55.25	—	—	55.35
Dec	56.15	—	—	56.30
Jan	56.45	—	—	56.60
March	57.05	—	—	57.20
May	57.65	—	—	57.80

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Feb	73.40	73.40	71.85	74.34
March	69.90	70.10	69.21	71.21
April	65.40	66.00	64.93	66.93
May	62.60	62.60	61.90	63.40
June	61.50	61.40	60.95	61.90
July	61.25	60.75	60.40	61.50
August	60.75	60.75	60.60	62.50
Sept	61.30	61.30	60.70	61.80
Oct	61.35	61.85	61.35	61.80
Nov	61.88	61.88	61.88	61.60

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	101.65	104.50	101.50	104.50
March	103.50	106.20	103.30	106.50
May	105.20	107.90	105.05	108.75
July	107.00	110.00	107.00	110.30
Sept	107.75	110.50	106.75	111.5
Nov	108.25	—	—	111.55
Jan	108.75	112.00	112.00	112.10
March	109.40	112.10	112.00	112.00
May	109.40	—	—	112.00

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Jan	612.7	602.5	602.5	591.6
Feb	615.8	—	—	594.1
March	619.5	635.0	594.0	598.0
May	627.7	644.0	602.5	605.7
July	634.1	652.0	611.0	613.5
Sept	644.9	660.0	620.0	621.7
Dec	658.0	674.0	633.0	633.3
Jan	662.5	680.0	680.0	638.2
March	671.6	672.0	648.0	646.7
May	680.8	—	—	655.4

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	5.60	5.75	5.56	5.86
May	5.82	5.96	5.77	5.87
July	6.04	6.12	5.97	6.08
Sept	6.18	6.21	6.18	6.24
Oct	6.30	6.44	6.25	6.34
Jan	6.62	6.70	6.59	6.66
March	6.91	6.96	6.87	6.96
May	7.04	—	—	—

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	57.82	58.25	57.10	57.30
April	59.75	60.25	59.25	58.20
June	59.82	60.00	59.12	58.05
August	58.72	58.82	58.15	58.20
Oct	57.57	57.80	57.05	57.07
Dec	[illegible]	[illegible]	[illegible]	[illegible]

POTATOES

The market rapidly lost £1.00, basis April, before recovering 60p in thin trade by midday. Afternoon trade was limited to a 40p range, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]

Sales: 144 (445) lots of 40 tonnes.

SOYABEAN MEAL

The market opened unchanged in quiet trading conditions, reports T. G. Roddick. Prices remained within narrow ranges throughout the day.

	Yesterday's close	+ or −	Business Done
	£ per tonne		
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]
Feb.	[illegible]	[illegible]	[illegible]

Sales: 142 (564) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $128.50 (£89.00), down $4.00 (down £3.00) a tonne for January-February delivery. White sugar $165.00, down $4.00.

Prices eased, mainly on trade selling," reports C. Czarnikow.

No. 6 Contract	Yesterday's close	Previous close	Business done
	$ per tonne		
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

Sales: 1,430 (3,350) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £191.50 (£193) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for January 8: Daily price 4.92 (4.95); 15-day average 4.96 (5.01).

PARIS — (FFr per tonne): March 1278-1282, May 1302-1307, Aug 1350-1360, Oct 1425-1432, March 1485-1495.

OIL

Prompt gas oil prices fell heavily on rumours of unsold cargoes combined with weak futures to undermine the market. Nymex weakened further on uncertainty over supply and little end-user demand. Heavy fuel prices fluctuated over the day ending $1-2 down as buyers withdrew. All grades continued their decline. Nymex opened down 27c and lost another 16c by 1.30 pm EST for February.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Jan.		
Arab Light	[illegible]	[illegible]
Arab Heavy	[illegible]	[illegible]
Dubai	[illegible]	[illegible]
Brent Blend	[illegible]	[illegible]
W.T.I. (1 pm est)	[illegible]	[illegible]
Forcados (Nigeria)	[illegible]	[illegible]
Urals (cif NWE)	[illegible]	[illegible]
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	247-249	[illegible]
Gas Oil	[illegible]	[illegible]
Heavy fuel oil	[illegible]	[illegible]
Naphtha	217-219	[illegible]

* February. Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's close	+ or −	Business Done
	US $ per tonne		
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]

Turnover 3,33 (2,983) lots of 100 tonnes.

RUBBER

PHYSICALS — The London market opened unchanged, attracted short-covering throughout the day and closed quietly steady, reports Lewis and Peat. Closing prices (buyers): spot 57.00p (57.50p); February 57.00p (57.25p); March 57.50p (57.50p). The Kuala Lumpur fob price (Malaysia/Singapore cents per kg) RSS No 1 was 178.5 (176.0) and for SMR 20 169.0 (170.0).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar loses ground

The dollar fell sharply yesterday afternoon on rumours that Arab nations may liquidate their US dollar holdings in response to the freezing of Libyan assets in the US. Despite the complexity and overall improbability of such a move, the market was sufficiently unsettled to sell the dollar down to a low of DM 2.4325 against the D-mark before recovering to close at DM 2.4465, still down from DM 2.4560 on Wednesday.

Earlier in the day the US unit had been marked up as the market showed its approval of the latest US unemployment figures. Falling to its lowest level for five years, the rate of unemployment was seen as a sign that the US economy may be growing at an underlying rate greater than had been thought previously, thus reducing the need for a near term cut in the US discount rate. Any bullishness derived from this was effectively removed later in the day however.

Further downward pressure came from an unexpected addition of liquidity to the money market by the Federal reserve although Fed. funds were trading at 7⅞ per cent at the time the temporary reserves were added, up from 7¾ per cent on Wednesday.

£ IN NEW YORK

	Jan. 9	Prev. close
£ Spot	$1.4690-1.4710	$1.4375-1.4385
1 month	0.58-0.54pm	0.56-0.55pm
3 months	1.65-1.60pm	1.60-1.57pm
12 months	5.70-5.55pm	6.00-5.90pm

Forward premiums and discounts apply to the U.S. dollar

The dollar closed at Y202.05 from Y202.0 against the yen but fell against the Swiss franc to SFr 2.0785 from SFr 2.0850 and FFr 7.50 compared with FFr 7.5325. After a close in London of DM 2.4465 against the D-mark, the dollar showed renewed weakness in early New York trading and slipped to DM 2.4310. On Bank of England figures, its index rose to 125.8 from 125.5 although this was calculated some time before the dollar's sudden fall.

Sterling benefited from the dollar's late fall and was also underpinned by a further rise in domestic interest rates. The market was sufficiently dissatisfied with the current level of interest rates to try and encourage a further rise in base rates in order to stave off any sudden liquidation of sterling positions later this year should the price of oil show a sharp decline. Sterling's exchange rate index opened at 78.2 up from 77.9 on Wednesday and touched a best level fo 78.4 before finishing at 78.2. This closing rate did not fully reflect the pound's late rise since it was based on $1.4447 and DM 3.5424. The pound closed at $1.4530 up from $1.4435 and touched $1.4730 in early New York trading.

Against the D-mark it closed at DM 3.5550 in London up from DM 3.5450. Elsewhere it rose to Y293.50 from Y291.50 and SFr 3.02 compared with SFr 3.0¼. Against the French franc it improved to FFr 10.8975 from FFr 10.8750.

D-MARK — Trading range against the dollar in 1985-86 is 3.4510 to 2.4375. December average 2.5128. Exchange rate index 132.0 against 122.9 six months ago.

The D-mark showed little overall change against the dollar in Frankfurt yesterday. The US unit closed at DM 2.4685 compared with DM 2.4670 at the opening. This was still well up from Wednesday's close of DM 2.4470 however. Attention appeared to focus on the diminished prospect of an early cut in the US discount rate. Rumours about Arab nations removing investments currently in the US came too late to affect trading.

POUND SPOT—FORWARD AGAINST POUND

Jan 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4390-1.4535	1.4525-1.4535	0.57-0.55c pm	4.62	1.68-1.63pm	4.56
Canada	2.0159-2.0272	2.0242-2.0272	0.48-0.40c pm	2.61	1.45-1.30pm	2.72
Nethlnd	[illegible]	[illegible]	[illegible]	7.09	[illegible]	6.85
Belgium	72.28-72.93	72.80-72.90	20-12c pm	2.64	48-38pm	2.28
Denmark	[illegible]	[illegible]	[illegible]	3.36	11-10pm	3.24
Ireland	1.1605-1.1710	1.1605-1.1615	0.04pm-0.22dis	−0.83	0.14-0.77dis	−1.57
W. Ger.	[illegible]	3.55-3.56	[illegible]	8.44	[illegible]	7.81
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Jan. 9	Bank of England Index	Morgan Guaranty Change %
Sterling	78.2	−13.0
U.S. dollar	135.8	+15.0
Canadian dollar	80.6	−11.5
Austrian schilling	132.1	+6.4
Belgian franc	92.8	−9.2
Danish Kroner	85.7	−2.2

FINANCIAL FUTURES

Weaker trend

Prices continued to fall in the London International Financial Futures Exchange yesterday in very active trading. Gilt prices opened lower on the back of sharply higher interbank rates in the cash market. Despite Wednesday's rise in UK clearing bank base rates, the market remained very nervous and there were signs that a further rise was contemplated in order to allay market fears about sterling's vulnerability.

The March price opened at 109-08 and fell to 109-00 but found good support at this level before sliding away later in the day. It touched a low of 108-09 before late short covering saw the price recover to a closing level of 108-25. Sterling's late improvement came too late to have a full impact on the market.

Three-month sterling deposits plotted a steady downward course reciprocating a further rise in cash rates. For March delivery the three-month sterling deposit price opened at 87.25, down from 87.44 and reached a low of 86.98 before finishing at 87.17.

US-based instruments retreated in the face of recent US employment figures and suggestions of better-than-expected economic growth. The receding prospect of an early discount rate cut was also a deterrent to pushing prices higher. Despite the market's inhibitions, trading volume was relatively high.

March Euro-dollars opened at 91.97 down from 92.11 and fell to a closing level of 91.86. Sentiment took a turn for the worse in the afternoon following rumours of a possible Arab disinvestment in the US. However there were underlying signs that longer term sentiment remained bullish although traders appeared content for the time being to react in line with more short term factors.

LONDON

CHICAGO

DOLLAR SPOT—FORWARD AGAINST DOLLAR

OTHER CURRENCIES

CURRENCY FUTURES

EXCHANGE CROSS RATES

CURRENCY RATES

STERLING INDEX

EURO-CURRENCY INTEREST RATES

	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sw.Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmrk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	9-9¼	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lire	12-14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	10-10¼	[illegible]	9¾-10	9¾-10	[illegible]	[illegible]
Br.Fr(Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sng)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years 8⅞-9⅛ per cent; three years 8⅞-9⅛ per cent; four years 9⅛-9⅜ per cent; five years 9¼-9½ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.6588	−0.39	+1.14	±1.5425
Danish Krone	8.12857	7.97497	−1.89	−0.36	±1.6421
German D-mark	2.23840	2.18414	−2.42	−0.89	±1.1455
French Franc	6.86402	6.70325	−2.34	−0.81	±1.3654
Dutch Guilder	2.52208	2.45898	−2.50	−0.97	±1.5162
Irish Punt	0.724578	0.716693	−1.10	+0.43	±1.6673
Italian Lira	1520.60	1490.40	−1.99	−1.49	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

UK rates show further rise

Wednesday's one point rise in UK base rates failed to dispell nervousness yesterday and interest rates were marked up amid fears of falling oil prices and further loss of confidence in sterling. Closing rates were a little below the day's highs, however, but the market appeared unwilling to settle with the current rate structure. Three-month interbank money touched 13½ per cent during the morning and finished at 12⅞-13 per cent up from 12½-12⅝ per cent on Wednesday.

Three-month eligible bank bills were bid at 12$\frac{7}{16}$ per cent from 12½ per cent, while overnight interbank money was left bid late in the day at 14 per cent after touching a low of 9 per cent.

The Bank of England forecast a shortage of around £500m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £402m and Exchequer transactions a further £55m. In addition banks brought forward balances £40m below target. These were partly offset by a fall in the note circulation of £10m. To help alleviate the shortage, the Bank offered an early round of assistance and this totalled £483m and comprised outright purchases of £192m of eligible bank bills in band 2 at 12$\frac{7}{16}$ per cent and £151m in band 3 at 12⅜ per cent. In band 4 it bought £4m of local authority bills and £136m of eligible bank bills all at 12$\frac{5}{16}$ per cent.

The Bank revised its forecast to a shortage of around £650m before taking into account the early help and gave further assistance of £143m. This comprised outright purchases of £22m of eligible bank bills in band 2 at 12$\frac{7}{16}$ per cent, £16m in band 3 at 12⅜ per cent and £105m in band 4 at 12$\frac{5}{16}$ per cent. There was no further assistance in the afternoon and total help came to £626m.

In Frankfurt the Bundesbank left its credit policies and key lending rates unchanged after yesterday's meeting of the central council. Short term interest rates remained steady despite Wednesday's net outflow of some DM 5.1bn of liquidity. Recent actions by the Bundesbank have tended to suggest the authorities' desire to provide adequate amounts of short term liquidity and thereby preclude any upward pressure on interest rates.

UK clearing banks base lending rate 12½ per cent since January 9

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 9) Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/16	offer 8 3/16	bid 8 1/16	offer 8 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	7$\frac{13}{16}$
Fed funds at intervention	7$\frac{13}{16}$
Treasury Bills & Bonds	
One-month	6.79
Two-month	7.12
Three-month	7.43
Six-month	7.58
One-year	7.80
Two-year	8.26
Three-year	8.50
Four-year	8.66
Five-year	8.78
Seven-year	9.09
10-year	9.25
30-year	9.46

LONDON MONEY RATES

Jan. 9	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9-14	11½-12¼	12⅝-13	12⅝-13¼	12⅝-13	12⅝-13
Sterling CDs	—	—	12⅝-12¾	12⅝-12⅞	12½-12¾	12⅝-12⅝
Local Authority Depos	10½-11	12¼	12¾	12⅞	12$\frac{15}{16}$	12¾
Local Author'y Bonds	—	—	13¼	13¼	13¼	13¼
Discount Mkt Depos.	9-10½	11¼	12½	12¼	—	—
Company Depos	10½-11½	12-12¼	13	13	—	—
Finance Hse Depos	—	—	12¾	12⅞	12$\frac{15}{16}$	12$\frac{15}{16}$
Treasury Bills (Buy)	—	—	12$\frac{7}{16}$	12$\frac{5}{16}$	—	—
Bank Bills (Buy)	—	—	12½	12⅜	12⅛	—
Fine Trade Bills (Buy)	—	—	13⅛	13⅛	13¼	—
Dollar CDs	—	—	7.9-8.0	7.95-8.05	7.95-8.05	8.05-8.15
SDR Linked Depos	—	—	7⅞-8⅛	8⅛-8⅜	8⅛-8⅜	8⅛-8⅜
ECU Depos	—	—	9$\frac{7}{16}$-9$\frac{11}{16}$	9⅜-9½	9⅜-9⅝	9⅜-9⅝

Treasury Bills (sell): one-month 12⅜ per cent; three months 12¼ per cent. Bank Bills (sell): one-month 12⅜ per cent; three-months 12¼ per cent. Treasury Bills: Average tender rate at discount 11.2092 per cent. ECGD Fixed Finance Scheme IV reference rate December 4 to January 7 (inclusive): 11.838 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from January 1 1986. Bank Deposit Rates for sums at seven days' notice 6¼-5¾ per cent. Certificates of Tax Deposits (Series 6). Deposits £100,000 and over held under one month 11½ per cent; one-three months 11¾ per cent; three-six months 11¾ per cent; six-nine months 11¾ per cent; nine-12 months 11¾ per cent. Under £100,000 10¾ per cent from January 7. Deposits held under Series 5 11¾ per cent. Deposits withdrawn for cash 7½ per cent.

MONEY RATES

Jan. 9	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard Int'v'ntion
Frankfurt	4.5-4.6	4.65-4.75	4.55-4.65	4.6-4.7	4.60-4.75	5.5
Paris	8¾	8⅞-9	8$\frac{15}{16}$-9$\frac{1}{16}$	8⅞-9⅛	9-9⅛	8¾
Zurich	⅞-1⅛	3⅞-4	—	3⅞-4	—	—
Amsterdam	5⅛-5⅜	5⅛-5⅜	—	5⅛-5⅜	—	—
Tokyo	7.09375	7.15625	—	7.09375	—	—
Milan	14⅝-15	15⅛-15⅛	—	14⅛-15	—	—
Brussels	9.70	9⅛-9⅛	—	9⅛-9⅛	—	—
Dublin	[illegible]	10⅞-10⅞	11⅞-11⅞	11⅞-12⅛	12-12¼	—

Company Notices

SAMSUNG SEMICONDUCTOR & TELECOMMUNICATIONS COMPANY LIMITED
US$30,000,000

Floating Rate Notes Due 1994
Guaranteed By
SAMSUNG ELECTRONICS COMPANY LIMITED

For the six months from January 8th 1986 to July 8th 1986 the notes will carry an interest rate of 8⅜% per annum. The interest payable on the relevant interest payment date, July 8th, 1986, will be US$4,210.76 per US$100,000 Note.

Agent Bank
CHEMICAL BANK

Notice of Early Redemption

THE YASUDA TRUST AND BANKING COMPANY, LIMITED
LONDON BRANCH
U.S. $15,000,000
Callable Negotiable Floating Rate Dollar Certificates of Deposit.
Issued 22nd February, 1983, Maturity 26th February, 1987, Callable February, 1986.

NOTICE IS HEREBY GIVEN in accordance with Clause 5 of the Certificates of Deposit (the "Certificates") that pursuant to Clause 3 of the Certificates, The Yasuda Trust and Banking Company, Limited (the "Bank") will repay all of the outstanding Certificates on 26th February, 1986 at their principal amount.

Payment of the principal amount, together with accrued interest will be made on the repayment date against presentation and surrender of the Certificates at the London branch of the Bank, Garden House, 18 Finsbury Circus, London EC2M 7BP.

Interest will cease to accrue on the Certificates on the repayment date.

DAIWA EUROPE LIMITED
Agent Bank

NACIONAL FINANCIERA S.A.
US$100,000,000
Floating Rate Notes
1978-1993

In accordance with the terms and conditions of the above mentioned floating rate notes the interest rate applicable for the period from January 9, 1986 to July 9, 1986 (181 days) has been fixed at 9$\frac{5}{16}$% per annum.

Interest payable on each Note of US$1,000 on July 9, 1986 against Coupon number 17 will be US$45.56.

BANQUE INTERNATIONALE A LUXEMBOURG
Societe Anonyme
Fiscal Agent

NIKKO SECURITIES CO LTD

EUROPEAN DEPOSITARY RECEIPTS ISSUED BY MORGAN GUARANTY TRUST COMPANY OF NEW YORK

A distribution of $0.03694 per depositary share less any applicable taxes will be payable on and after January 6, 1986 upon presentation of coupon No. 10 at the office of any of the following depositaries:
—MORGAN GUARANTY TRUST COMPANY OF NEW YORK
35, avenue des Arts
1040 Brussels
—BANQUE INTERNATIONALE A LUXEMBOURG S.A.
Boulevard Royal 2
Luxembourg
Net rate:
$0.03140 (after deduction of 15% Japanese withholding tax)
$0.02955 (after deduction of 20% Japanese withholding tax)

Clubs

LONDON SHARE SERVICE

BRITISH FUNDS

1985/86 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101[illegible]	99[illegible]	Exch. 11¼pc '86	99[illegible]	....	11.78	13.05
99[illegible]	96¼	Treas. 10pcCnv 1986	99¼	−[illegible]	10.08	12.84
97¾	92½	Treas 3pc 1986	97[illegible]	+[illegible]	3.09	11.26
100	97½	Exch. 10½pc 1986	99¼	−[illegible]	10.58	12.65
101¾	99¼	Treas 12pc 1986	99[illegible]	−⅛	12.09	12.70
98[illegible]	94¾	Treas 8¾pc 1984-86‡‡	98¾xd	....	8.65	12.31
105[illegible]	101[illegible]	Exch. 14pc 1986	101[illegible]	−[illegible]	13.85	12.44
95¾	87¾	Exch. 2½pc 1986	95[illegible]	−⅛	2.63	8.53
104[illegible]	100[illegible]	Exch. 13¼pc 1987	100[illegible]xd	−⅛	13.13	12.29
99[illegible]	96¼	Treas 10¼pcCv '87	98[illegible]xd	−⅛	10.45	12.28
93¾	85½	Exch 2½pc 1987	93	−⅛	2.69	9.17
100[illegible]	96¼	Exch. 10½pc 1987	98	−[illegible]	10.71	12.23
95[illegible]	89	Funding 6½pc '85-87‡‡	93¾	−⅛	6.92	11.67
99[illegible]	95½	Treas. 10pc 1987	97¼	−[illegible]	10.28	12.15
92¾	84¾	Treas 3pc 1987	91[illegible]xd	−[illegible]	3.28	9.23
102[illegible]	99¼	Treas. 12pc 1987	99[illegible]	−⅛	12.01	11.99
95[illegible]	90¾	Treas 7¾pc 1985-88‡‡	93[illegible]xd	....	8.33	11.68
100[illegible]	95¾	Exch 10½pc '88	97¼	−[illegible]	10.78	11.87
98¼	93¾	Treas 9¾pc Cv '88	95¾	−[illegible]	10.20	11.87
87¾	80	Transport 3pc '78-88	86[illegible]	−⅛	3.45	8.99
97¾	91½	Treas. 9½pc '88	94[illegible]	−⅛	10.06	11.87
102¾	97½	Treas 11½pc 1989	98¾	−⅛	11.65	11.95
97[illegible]	90¾	Treas 9½pc Cnv. '89	93[illegible]	−[illegible]	10.14	11.86
84[illegible]	79	Treas 3pc 1989	83[illegible]	−[illegible]	3.61	8.92
99¾	94	Treas 10½pc 1989	96[illegible]	−⅛	10.89	11.79
98¾	92	Exch 10pc 1989	94[illegible]xd	−⅛	10.55	11.86
101[illegible]	95	Exch 11pc 1989	97[illegible]	−[illegible]	11.26	11.76
86¾	79	Treas 5pc 1986-89	84[illegible]	−[illegible]	5.89	9.88
40¼	37¾	Exch 10¼pcCv '89 (£40pd)	37¾	−[illegible]	10.69	11.59
108[illegible]	103¾	Treas 13pc 1990‡‡	104¼xd	−[illegible]	12.48	11.69
101¾	96[illegible]	Exch 11pc 1990‡‡	97¾xd	−[illegible]	11.25	11.73
108¾	100¾	Exch. 12½pc 1990	102½	−⅛	12.20	11.72
81[illegible]	75¾	Treas. 3pc 1990	80¼	−⅛	3.74	8.60
93¼	87¾	Treas 8¼pc 1987-90‡‡	89¾	−⅛	9.18	11.21
101¼	91¾	Treas. 10pcCv 1990	93[illegible]	−[illegible]	10.66	11.70
		Five to Fifteen Years				
108¼	97¾	Treas 11¾pc 1991	100xd	−½	11.75	11.75
87¾	80	Funding 5¾pc '87-91‡‡	85¼	−½	6.86	9.76
105¼	95	Exch. 11pc 1991	99¾	−¼	11.30	11.63
113¾	101¾	Treas 12¾pc 1992‡‡	104¾xd	−½	12.18	11.66
100	88¾	Treas 10pc 1992	96¾	−½	10.75	11.61
104	94¾	Treas 10½pc Cv 1992‡‡	97	−½	11.03	11.60
110¾	98¾	Exch. 12¼pc '92	107¼	−½	11.95	11.68
117¾	105	Exch 13½pc 1992	112¼	−½	12.48	11.69
113¾	101¾	Treas 12½pc 1993‡‡	104¾xd	−½	11.93	11.54
83½	74¾	Funding 6pc 1993‡‡	81¼	−½	7.55	9.87
121¾	109¾	Treas 13¾pc 1993‡‡	112¾	−½	12.41	11.60
125¼	111¼	Treas 14½pc 1994‡‡	120¾	−½	12.58	11.48
119¾	108¾	Exch 13½pc 1994	112¾	−½	12.69	11.60
113¾	100¾	Exch. 12½pc 1994	109¼	−½	11.91	11.57
95¾	86¼	Treas 9pc 1994‡‡	89¾	−½	10.22	11.15
110¾	98¾	Treas 12pc 1995	102xd	−½	11.71	11.55
71½	62¾	Gas 3pc '90-95	69	−½	4.38	7.84
100¼	89¾	Exch. 10¼pc 1995	93xd	−½	10.99	11.43
118¾	106¾	Treas 12¾pc 1995‡‡	109¾	−½	11.84	11.42
123¼	110¾	Treas. 14pc '96	114xd	−½	12.29	11.53
94¾	84½	Treas 9pc 1992-96‡‡	98¾	−½	10.29	11.19
134¾	121¾	Treas 15¼pc 1996‡‡	125¾	....	12.47	11.50
122¾	110¾	Exch 13¼pc 1996‡‡	113½	−½	11.89	11.34
77¼	68½	Redemption 3pc 1986-96	75	−½	4.04	6.36
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

1985/86 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
170	110	Metal Closures	136	+1	6.7	2.0	7.0	8.5
17	3	‡Metal Sciences 2½p	6½	−½	—	—	—	—
104	63	‡Midland Marts	92		4.0	2.1	6.2	11.0
*83½	55½	Mitchell Cotts	67		4.25	2.0	9.1	(6.8)
230	182	Morgan Crucible	221	−1	18.0	1.6	5.2	15.3
33	18	‡Morris (W) F.A. 20p	20	−1	‡0.5	♦	3.6	♦
131	91	Moss (Robt.) 10p	107	−3	†3.0	2.7	4.0	11.5
81	60	Myson Grp 10p	69	−1	g2.5	3.4	5.2	13.1
330	214	‡N M W Computers	290		‡6.8	2.7	2.4	22.3
43	27	Nash Inds.	30		0.5	—	2.4	—
48	15	Neil & Spencer 10p	18		♦	—	—	5.4
44	14½	Newman Inds 10p	33	−1	20.9	—	1.3	(15.6)
57	26	Norton	50	−2	0.95	2.6	2.7	7.1
216	146	Norcros	196xd	−2	18.6	2.0	6.3	10.7
67	45	Nu-Swift 5p	49	−3	†3.0	1.9	8.7	7.9
114	68	Oakwood Grp.	82		‡4.5	1.4	7.8	(12.1)
250	150	Office & Elect	223	−2	†7.5	2.6	4.8	11.4
108	75	Oldacre 20p	78	−2	†4.0	2.6	7.5	6.8
58	34	‡Optometrics $0.01	34	−2	ad02c	—	4.6	—
525	312½	Oriflame £1	525		†23.4	1.8	4.5	12.4
18	5½	Ovenstone 12½c	8		‡03.23c	1.9	10.4	5.1
£254	£158	Ozalid 9pc Cnv 87-92	£254		Q9%	—	—	—
185	98½	‡PCT Grp 10p	100		3.2	1.2	6.7	(24.6)
£14	850	PLM 'B' SK 25	950		Q21.6%	2.9	5.2	6.7
193	114	PSM Intl	114	−4	‡t5.25	2.5	6.6	7.8
193	115	‡Pacer Systems $0.01	180	−5	bg3.84c	—	1.7	—
68	50	‡Pacific Sales 10p	65		3.0	2.1	6.6	8.5
243	120	Park Place 10p	236	−7	6.25	1.9	3.8	19.8
296	165	Parker Knoll 'A'	250	−1	9.5	2.9	5.4	9.1
238	45	‡Parkfield Group 5p	208xd		†2.4	2.4	1.6	34.8
80	37	‡Partco Intl	50	−1	—	—	—	—
£190	£101	Do 11pc CvLn '94-02	£125	−2	Q11%	—	(9.1)	—
435	287½	Pearson	415	−10	‡8.5	3.0	2.9	14.8
29	12	Peek Holdings	12		—	—	—	—
94	71	Peerless	89	+1	6.3	—	10.1	—
362	98	Pentland 10p	295	+5	‡0.87	20.4	0.4	13.2
		For Pentos see Drapery and Stores						
75	44	Philips Patents	68		♦1.25	—	2.6	—
825	440	Photo-Me	775	−25	5.08	7.7	0.9	17.5
398	248	Pilkington Br £1	315xd	−8	12.5	2.5	5.7	7.8
£318	£225	Pitney-Bowes Cnv. Ln.	[illegible]	[illegible]	[illegible]		[illegible]	

LEISURE—Continued

1985/86 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
300	217	LWT	263		14.4	1.8	7.8	10.0
*36½	23½	‡Leisure Inv 10p	32					♦
65	53	Leisuretime Int 10p	59		†2.1	3.9	5.1	6.3
115	98	‡Lewmar	103		u2.63	3.0	3.6	12.7
183	153	‡Media Tech Int 20p	181	+9	g2.58	5.4	2.0	14.7
205	124	Medminster 10p	165	−10	5.35	2.0	4.6	15.1
280	155	‡Miss World 10p	155		3.6	4.1	3.3	10.6
127½	65½	Nationwide Leisure	65½	−1½	(3.75	2.5	8.2	5.8
39	9½	‡Nimslo Int 20c	14		—	—	—	—
27	19½	‡Owners Abroad	23½	−¼	1.0	2.2	6.1	10.4
54	36	Photax (Lon.)	48	−2	—	—	—	—
29	18	‡P'dilly Radio NV 5p	28½	−½	2.0	♦	10.4	♦
90	30	‡Pineapple Dnc St 10p	38		—	—	—	—
342	183	Pleasurama 5p	285	−8	‡4.6	3.7	2.3	16.9
161	109	Do. 7pcCvCmRedPf	142		7%	—	7.0	—
96	77½	‡Pres Entertain 50p	92	−½	N2.0	2.1	3.1	21.8
65	18	‡Radio City 'A' NV	20		—	—	—	—
55	35	‡Radio Clyde N/V	35xd		3.25	♦	13.3	♦
63	34	Riley Leisure 10p	54	−2	±0.7	—	‡	—
199	143	Saga Hols. 20p	195		†4.0	2.1	2.9	20.8
*289	97	Samuelson Grp 20p	272		t2.4	6.0	1.3	21.3
111	25	‡Sangers Photo 10p	78	−7	♦2.0	1.9	3.7	20.4
202	130	‡Scarro 50p	155	−5	g3.68	2.6	3.4	15.1
188	128	Scott. TV 'A' 10p	180		18.8	2.8	6.7	7.7
508	233	SeaCo Inc $0.125	234	+1	—	—	—	—
15	6	‡SelecTV 10p	8		—	—	—	—
140	8	‡Spectrum 5p	22		‡g2.0	4.8	‡	2.3
33	23	TSW 5p	31		1.7	2.4	7.8	7.5
153	108	TVS N/Vtg 10p	150	−3	6.0	2.2	5.7	11.3
235	132	‡Television Svcs 50p	155	+5	t1.5	4.3	1.4	24.3
79	59	Tottenham Hotspur	59	−2	4.0	1.1	9.7	(13.6)
105	72	‡Tribon 10p	90		bg1.1	4.2	1.7	16.7
160	39½	‡21st Century Dist	86		—	—	—	—
165	93	‡Tyne Tees TV 'A' £1	140		‡10.5	2.3	‡	5.8
114	84	Ulster TV N/V 'A'	106		5.25	♦	7.1	♦
125	67	‡Viewplan 5p	70		u1.26	♦	2.6	♦
26	17	Webb (Jos.) 5p	18		d0.5	0.6	4.1	58.3
26½	12	‡Williams (Rex) 5p	16½	−½	u0.91	—	7.9	—
126	93	Zetters 5p	126		4.0	2.9	4.5	10.9

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

INSURANCES

LEISURE

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 28 (International Edition Page 32)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £825 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Dec 23	Jan 9	Jan 10	Jan 20
Jan 13	Jan 23	Jan 24	Feb 3
Jan 27	Feb 6	Feb 7	Feb 17

* "New-time" dealings may take place from 9.30 am two business days earlier.

Slide in Gilts and shares continues
FT index drops 17.7 more to 1106.1

Leading stocks and Government bonds fell sharply in London on fears yesterday that Tuesday's rise of one percentage point to 12½ per cent in bank base rates may not be sufficient to defend sterling if world oil prices move lower and also following news of the resignation of Mr Heseltine, the Defence Secretary. The mid-session tone was noticeably gloomy and the FT Ordinary share looked set to match Tuesday's biggest-ever points drop on Wall Street, but it eventually staged a fragile rally.

The Dow-Jones index plunged overnight as US investors became alarmed over rising domestic interest rates. This caused London share dealers to cut equity prices at the opening. Designed to deter potential sellers, the move rebounded for within minutes the cheaper levels attracted a wave of institutional buying. An opening index fall of 16 points was immediately reduced to under 8 points but more bad news followed.

Money markets continued to be unsettled and three-months interbank rose to 13 per cent, despite an easing in recent cash shortages. A warning that oil prices could collapse this year unless non-Opec producers refrain from increasing output did not help matters. Share and bond markets soon ran into fresh liquidation amid talk of forced selling of quality issues to pay for sizable speculative losses incurred in a range of Store shares, particularly British Home Stores and Habitat.

The pressure gradually lifted, but awaiting the New York opening the market remained extremely nervous. Wall Street initially headed lower again but London steadied and the index, down 21.0 at the worst, rallied to close 17.7 lower at 1106.1. Distillers moved against the trend of other constituents, following the Trade Secretary's decision not to refer the Argyll offer to the Monopolies Commission, to end 28 up at 525p, after 530p. The FT-SE 100 share index sustained a net loss of 24.6 at 1379.6, after 1376.7.

Summing up the current market situation brokers Wood Mackenzie said that the rise in base lending rates seemed to reflect a crisis more imaginary than real but it would be foolish to disregard the possibility of further moves.

Gloom also shrouded Gilt-edged securities. Index-linked issues tumbled a point and some conventional longs were nearly that much lower before recovering. Early business was all one-way but trade became more evenly balanced in the afternoon. Much of the demand represented bear-closing or the balancing of positions against Gilt futures contracts, although some genuine investment was reported. The tentative rally continued after-hours and longer-dated stocks settled with widespread falls stretching to ⅞. Shorter maturities were more resilient and closed only 1/16 off on the day.

Insurances above worst

Composite Insurances staged a useful late rally to close well above the worst. General Accident, which announced a major Canadian acquisition earlier in the week, were finally 10 down at 712p, after 705p, while Royals, mentioned as a possible bidder for Britannia Arrow, piked up from 790p to close only 5 off at 800p. Commercial Union, however, remained a dull market throughout and finished 7 down at 233p. Losses among Life Insurances stretched into double figures. Legal and General gave up 25 at 718p following reports of disappointing new business figures, while Prudential fell 20 to 783p and Britannic 13 to 810p. Among Lloyds brokers, profit-taking in the wake of the third-quarter results left Sedgwick 18 down at 362p. Hogg Robinson were 8 off at 268p.

The major clearers managed a tentative rally after-hours. Midland ended 12 lower at 423p, after 420p, while falls of around 9 were common to Barclays, 448p, and Lloyds, 468p. Elsewhere, revived offerings left First National Finance 6 cheaper at 159p.

The Distillers/Argyll Group decision stimulated enthusiasm for selected secondary Breweries on thoughts that any new bid in the sector would also be treated favourably by the Department of Trade. Vaux remained in fine fettle on persistent talk of an approach from Ladbroke and touched 400p before settling 13 higher on balance at 388p. Davenports, additionally buoyed by the chairman's annual review, put on 16 to 283p. In contrast, leading Breweries were sold and Bass closed 15 cheaper at 640p, after 635p. Whitbread A ended 9 off at 240p, after 235p.

Losses among leading Building issues were relatively modest at the close. Blue Circle, marked down to 560p at the outset, were finally 4 cheaper at 568p, while Tarmac settled 8 off at 362p, after 360p. Taylor Woodrow, however, shed 12 to 478p and John Mowlem gave up 15 to 308p. Access Satellite rose 15 to 120p in response to the boardroom changes.

Wall Street's overnight reaction depressed ICI which fell t o747p, a loss of 15 on the day. Yorkshire Chemicals lost 5 at 67p, but Wardle Storeys continued to reflect the good results and rose 9 to 27p, a two-day advance of 17.

Stores rally

For the third successive trading session, dearer credit fears prompted sizable and widespread selling of leading Retailers. By midday, losses again extended to almost 30 in places, but quotations staged a remarkable recovery after-hours on renewed support which left most issues with only nominal losses. Habitat Mothercare, still unsetled by a broker's downgrading of profits, dipped to 367p but later rallied to 393p—a fall of only 2 on balance, while Storehouse reverted to the overnight 288p, after 273p. Gussies A, down to 749p at one stage, settled a net 8 off at 759p and Dixons, which is expected to announce substantially increased interim profits next Wednesday, eased 3 to 875p, after 864p. Mail Orders also finished above the worst levels, but sizable falls were still noted in Grattan and Freemans which dipped 8 apiece to the common level of 318p.

Thorn EMI, up 8 at 417p, after better-than-expected interim figures resisted the trend in the Electrical sector. Falls among other leading issues, however, were relatively modest. Elsewhere, STC eased 4 to 100p and Apricot a similar amount to 68p. Electronic Rentals eased a couple of pence to 46p despite mid-term figures in line with expectations. Amstrad were noteworthy for a fall of 10 to 182p along with Micro Focus, a like amount down at 170p. Crystalate, in contrast, encountered a flurry of speculative demand and put on 16 to 156p.

Westland were the focal point in the Engineering sector and moved up smartly to 98p before settling at 88p, up 10, on talk of a large stake changing hands well above the market price it was suggested that Mr Alan Bristow had purchased around 4m shares from Allied Dunbar. Elsewhere, losses of around 10 were recorded in GKN, 265p, Hawker, 439p, and Vickers, 296p.

Unigate bucked the trend in Foods, touching 231p on US support before easing back to close just a penny dearer on balance at 222p. Other leading issues displayed widespread and sometimes quite substantial falls. Tate and Lyle lost 10 to 520p, while S. and W. Berisford, still depressed by the tin crisis, shed 7 more to 148p. Northern Foods gave up 8 to 276p and Ranks Hovis McDougall 6 to 157p. Casualties among Food retailers included Dee Corporation, 17 lower at 250p and Tesco, 8 lower at 285p.

Beecham fall

Leading miscellaneous industrials displayed widespread and sometime substantial losses. Beecham were prominent at 323p, down 12, while Hanson Trust fell 8 to 191p and Pilkington settled a similar amount lower at 315p. Reckitt and Colman dipped 15 to 617p and Reed International 16 to 654p. Boots, down to 234p at one stage, rallied to close 6 lower on balance at 239p. Elsewhere, British Aerospace came under selling presure and fell 16 to 455p. Bowater gave up 12 to 280p and Booker McConnell 10 to 270p, while falls of around 8 were recorded in Evered, 160p, Avon Rubber, 273p, and F. H. Tomkins, 218p. Resisting the trend, R. K. Watson, awaiting news of the recent bid approach, closed a couple of pence firmer at 242p.

Motors gave ground. Recent high-flier Lucas Industries dipped to 483p before settling 18 off on balance at 485p, while Jaguar also lacked support and finished 13 cheaper at 539p. An isolated firm spot was provided by AC Cars which attracted revived speculative interest and rose 5 to 88p.

Associated Newspapers proved an outstanding firm feature and closed 45 to the good at 970p in response to further better-than-anticipated full-year profits and proposed 3-for-1 scrip issue; Daily Mail A advanced almost a full point to £13¼ in sympathy. Paper/Printings, on the other hand, usually lost ground with DRG 4 cheaper at 183p, and Bunzl 12 lower at 493p. Among advertising counters, Valin Pollen, a relatively buoyant market recently, dipped 20 to 480p despite the 2-for-1 scrip issue.

Properties sustained a defensive mark-down at the outset and generally failed to recover. Land Securities and MEPC both finished 6 down at 288p and 287p respectively, while Hammerson A lost 10 more at 485p and Haslemere Estates gave up 7 at 498p. Elsewhere, Regalian reacted 35 to 330p on profit-taking, while City of Aberdeen Land fell 50 to 320p following the rights issue proposal.

Shell lose ground

Wall Street's record fall overnight and a further slide by the US market at the opening of business yesterday were responsible for a widespread decline throughout the oil sector. News that Egypt had lowered oil prices was another depressant in the market. Shell, in particular, were badly affected by the US influences and opened sharply lower before rallying and then falling afresh to close at the day's low of 667p, a net loss of 18. BP dipped 8 to 540p. Second-liners provided the sector's only firm feature in Goal Petroleum which jumped 12 to 50p following a report that the company's two major shareholders, Morgan Grenfell and ERIC are planning to sell their holdings, which total 41 per cent of Goal's capital; in addition ERIC was reported as having sold its nil paid rights to the recent issue to a single buyer. Goal's new nil-paid shares advanced 9 to 17p premium.

Lonrho, the subject of considerable speculative activity this week despite the company's attempt to pour cold water on takeover chatter, remained lively amid fresh traded option business; opening lower at 218p, the shares subsequently rallied to a new high of 226p before settling 5 cheaper on balance a t220p. Other Overseas Traders also gave ground, notably Boustead which slumped 6 to 1985-86 low of 42p.

Plantations featured Grand Central which advanced 2 to 26p following the latest details regarding compensation for expropriation of the company's estates in Sri Lanka.

Golds easier

The seven-day upsurge in South African Golds, platinums and related issues came to a halt. Profit-taking and widespread nervousness generated by the steep falls in London and US markets led to an initial mark down which was followed by persistent small selling pressure from most international dealing centres. However, good support developed in the late afternoon, when bullion picked up amid renewed concern about the situation regarding the US and Libya, and the majority of Golds closed above the day's lowest levels. Bullion eventually settled a further $2.75 firmer at $335.25 an ounce, while the Gold Mines index—up almost 47 points during the previous seven trading sessions—gave up 6.4 to 280.2.

DeBeers, a strong market prior to and following the sharply increased world diamond sales figures released on Tuesday, finally ran out of steam and ran back 14 to 370p. Platinums were much quieter and retreated on persistent small profit-taking after the strong gains prompted by the mass sackings at Impala mines in South Africa. The latter lost 11 to 616p while Rustenburg eased a shade to 580p.

Australians gave a positive response to the latest upturn in bullion and another strong showing by Sydney and Melbourne markets overnight. Golds were particularly in demand and posted firm features in Sons of Gwalia, 12 better at 160p, Emperor Mines, 11 to the good at 178p, Metana, which rose 6 more to 130p and Carr Boyd, 7 up at 79p. Gold Mines of Kalgoorlie settled 5 stronger at 415p, and Australian Consolidated Minerals 5 firmer at 75p. Takeover speculation helped North Broken Hill improve 4 more to 118p while other leading diversified issues were highlighted by Peko-Wallsend, 16 better at 254p and Western Mining which rose a further 5 to 168p.

Traded Options

Demand for Traded Options continued to improve reflecting another active turnover in the underlying securities. Total contracts struck amounted to 20,396—the highest since early-December. Current favourite Lonrho remained to the fore and attracted 2,242 calls. Distillers were also lively following the green light for the Argyll offer and recorded 1,590 calls and 1,254 puts. The FT-SE 100 index contract contributed 1,643 calls and 1,680 puts.

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Jan 6	Jan 17	Apr 10	Apr 21
Jan 20	Jan 31	Apr 24	May 6
Feb 3	Feb 14	May 8	May 19

For rate indications see end of Unit Trust Service

Stocks favoured for the call included John Brown, Sunleigh Electronics, BTR, Crowell, Pavion, STC, Noble and Lund, Goal Petroleum, Yelverton, Boots, Combined Technologies, Atlantic Resources and Tranwood. No puts or doubles were reported.

FINANCIAL TIMES STOCK INDICES

	Jan. 9	Jan. 8	Jan. 7	Jan. 6	Jan. 3	Jan. 2	year ago
Government Secs	81.19	81.56	81.78	82.15	82.51	82.79	81.65
Fixed Interest	87.65	87.98	88.15	88.51	88.73	88.82	85.36
Ordinary	1106.1	1123.8	1138.5	1141.8	1149.6	1138.5	982.4
Gold Mines	280.2	286.6	277.2	267.4	257.6	257.5	462.7
Ord. Div. Yield	4.47	4.41	4.37	4.34	4.32	4.36	4.43
Earnings, Yld. % (full)	11.12	10.95	10.86	10.80	10.75	10.84	11.36
P/E Ratio (net) (*)	11.11	11.29	11.36	11.43	11.48	11.39	10.88
Total bargains (Est.)	26,436	26,138	25,562	23,866	19,440	17,936	22,066
Equity turnover £m.	—	537.47	517.57	455.77	360.26	259.10	605.57
Equity bargains	—	23,031	24,730	27,244	19,569	14,892	23,438
Shares traded (ml)	—	248.8	294.0	247.2	191.1	145.0	231.3

10 am 1107.8. 11 am 1116.8. Noon 1108.3. 1 pm 1108.8. 2 pm 1103.9. 3 pm 1102.9. 4 pm 1104.8.
Day's High 1117.0. Day's Low 1102.8.
Basis 100 Government Securities 15/10/26. Fixed Interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest index 01-246 8026. *Nil=10.70.

HIGHS AND LOWS / **S.E. ACTIVITY**

	1985/6 High	1985/6 Low	Since Compilat'n High	Since Compilat'n Low	Indices	Jan. 8	Jan. 7
Govt. Secs.	84.67 [illegible]	78.02 [illegible]	127.4 [illegible]	49.18 [illegible]	Daily Gilt Edged Bargains	142.1	135.4
Fixed Int.	90.96 [illegible]	82.17 [illegible]	150.4 [illegible]	50.53 [illegible]	Equities Bargains / Value	[illegible]	[illegible]
Ordinary	1146.6 [illegible]	911.0 [illegible]	1146.6 [illegible]	49.4 [illegible]	5 day Average Gilt Edged Bargains	118.2	106.7
Gold Mines	535.9 [illegible]	217.6 [illegible]	734.7 [illegible]	43.5 [illegible]	Equities Bargains / Value	661.3	757.4

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price p	+ or –	Net div.	Times covered	Gross yield	P/E ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price £	+ or –
[illegible]							

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price p	+ or –
[illegible]							

[illegible]

NEW HIGHS AND LOWS FOR 1985/86

NEW HIGHS (15)

[illegible]

NEW LOWS (47)

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	[illegible]	[illegible]
Corpns. Dom. & Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial & Props.	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Equity groups	Thurs Jan 9 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Wed Jan 8 Index No.	Tues Jan 7 Index No.	Mon Jan 6 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (214)	[illegible]					0.00	581.44	587.26	590.87	567.85
2 Building Materials (24)	[illegible]					0.00	624.47	633.57	641.50	568.34
[illegible]										

FIXED INTEREST

PRICE INDICES	Thurs Jan 9	Day's change %	Wed Jan 8	xd adj. today	xd adj. 1986 to date
[illegible]					

AVERAGE GROSS REDEMPTION YIELDS

[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
[illegible]		

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
[illegible]			

EUROPEAN OPTIONS EXCHANGE

Series	Vol.	Last	Vol.	Last	Vol.	Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS: 64,254

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option	Calls			Puts		
[illegible]						

January 9 Total contracts 20,396 Calls 13,611 Puts 6,785 *Underlying security price

WORLD STOCK MARKETS

AUSTRIA

Jan. 9	Price Sch%	+ or —
Credit'nat'lt pp *	2,340	+100
Goesser *	3,300	+100
Interunfall *	18,100	+800
Jungbunzlauer *	43,030	+100
Laenderbank *	2,140	+20
Perlmooser	740	.....
Steyr Daimler	167	—2
Veitscher Mag *	10,060	.....

BELGIUM/LUXEMBOURG

Jan. 9	Price Frs.	+ or —
B.B.L.	2,340	—35
Banq. Gen. Lux.	9,600	.....
Banq. Int.A.Lux	9,850	.....
Bekaert	8,420	—90
Ciment CBR	2,750	.....
Cockerill	181	+2
Delhaize	8,650	+240
EBES	3,670	—46
Electrobel	10,600	—100
Fabrique Nat.	2,020	—40
GB Inno BM	4,735	—65
GBL (Brux)	2,345	—15
Generale Bank	4,800	+100
Gevaert	4,950	.....
Hoboken	5,850	—60
Intercom	2,880	—70
Kredietbank	10,650	.....
Pan Hldgs	9,930	.....
Petrofina	6,450	+10
Royale Belge	17,200	.....
Soc. Gen. Belge	2,135	—25
Sofina	8,020	—90
Solvay	6,280	—10
Stanwick Intl	1,062	.....
Tractionel	4,810	—115
UCB	6,480	—50
Wagons Lits	4,135	+35

DENMARK

Jan. 9	Price Knr %	+ or —
Andelsbanken	398	—9
Baltica Skand	555	.....
Cop Handelsb'nk	319xr	—10
D. Sukkerfab	445	—5
Danske Bank	374	—8
De Danske Luft	1,480	.....
East Asiatic	242	—8
Forenede Brygg.	1,075	.....
Forenede Damp.	223	—4
GNT Hld	680	—15
I.S.S.B.	580	—20
Jyske Bank	790	—10
Novo Inds	1,230	—45
Privatbanken	314	—8
Provinsbanken	449	—13
Smidth (F.L.) B	287	—14
Sophus Berend	980	.....
Superfos	287	—12

FRANCE

Jan. 9	Price Frs.	+ or —
Emprunt 4½% 1973	1,473	—5
Emprunt 7% 1973	7,580	+190
Accor	330	—8
Air Liquide	651	—20
BIC	540	—29
Bongrain	1,780	—30
Bouygues	1,070	—55
BSN Gervais	2,860	—60
CIT Alcatel	1,410	—40
Carrefour	3,265	—34
Club Mediter'n	497	—5
Cie Bancaire	926	—9
Cofimeg	381	—3
Damart	1,950	.....
Darty	2,249	—60
Dumez S.A.	1,142	—66
Eaux (Cie Gen)	912	—28
Elf-Aquitane	205.2	—6.8
Essilor	2,410	—35
Gen.Occidentale	725	—21
Imetal	78.4	—2.9
Lafarge Coppee	796	—34
L'Oreal	2,930	—150
Legrand	2,680	—30
Maisons Phenix	180	—7.5
Matra S.A.	1,699	+57
Michelin B	1,710	—40
Midi (Cie)	4,738	—112
Moet-Hennessy	2,333	—62
Moulinex	70	—4
Nord Est	173.5	—8.1
Pernod Rica	894	—19
Perrier	518	—5
Petroles Fra	300	—10
Peugeot S.A.	544	—15
Printemps (Au.)	473	—20
Radiotech	461	—21
Redoute	2,090	—10
Roussel-Uclaf	1,620	—6
Sefimeg	405	—4
Skis Rossignol	1,300	—100
Telemec Elect	2,845	—90
Thomson (CSF)	850	—24
Valeo	360.1	—12.9

GERMANY

Jan 9	Price Dm.	+ or —
AEG	303.3	+5.3
Allianz Vers	2,500	—20
BASF	284	—1.5
Bayer	289	—5.6
Bayer.Hypo	571	—4
Bayer-Verein	568	—5
BHF-Bank	563	—8
BMW	640	—10
Brown Boveri	291	—4
Commerzbank	356	—9.5
Cont'l. Gummi	182.8	—1.2
Daimler-Benz	1,385	—37
Degussa	447.5	—5.3
D'sche Babcock	217	+1
Deutsche Bank	905	—16
Dresdner Bank	457	—9
GHH	252	—6
Henkel	417	—7.5
Hochtief	785	+15
Hoechst	297.5	—2.5
Hoesch Werke	194	+7.5
Holzmann (P)	560	—29
Horten	223	—3
Hussel	460	—15
Karstadt	358	—5
Kaufhof	391	—4
KHD	350	—1.8
Kloeckner	116	+10
Linde	657	—8
Lufthansa	259.5	—0.5
MAN	247	+3
Mannesmann	300.5	—2
Mercedes Hld	1,275	—30
Metallgesell	430	+40
Muench Rueck	3,700	+150
Nixdorf	605	—8
Porsche	1,380	+30
Preussag	272	+8
Rhein West Elect	210	—3
Rosenthal	385	+2
Schering	555	—16
Siemens	759.2	—5.8
Thyssen	187.5	+5.5
Varta	343	+3
Veba	299	—2
V.E.W.	145	—0.5
Verein-West	430	—3
Volkswagen	556.2	—9.8

ITALY

Jan. 9	Price Lira	+ or —
Banco Com'le	25,200	—300
Bastogi-IRBS	476.5	—8.5
Centrale	3,844	—66
C.I.R.	6,230	—10
Credito Italiano	3,275	—28
Fiat	5,900	—24
Generali Assicur.	78,000	+500
Italcementi	49,200	—780
La Rinascente	970	—26
Montedison	2,810	—35
Olivetti	9,065	+70
Pirelli Co	6,300	—55
Pirelli Spa	3,410	—95
Saipem	6,850	—20
Snia BPD	5,599	+14
Toro Assic	25,300	—170

NETHERLANDS

Jan. 9	Price Fls	+ or —
ACF Holding	306	—13
AEGON	119.8	—2.2
Ahold	80.0	—4.8
AKZO	152.5	—3.8
ABN	593	—10
AMEV	93.5	+0.7
AMRO	114.5	—1.5
Bredero Cert	194	—6
Bos Kalis Westm.	16.4	—0.2
Buehrmann-Tet.	137.5	—6.5
Calland Hlgs	30.2	—1.8
Dordtsche Pet'm.	170.7	—2.8
Elsevier-NDU	176	—5
Fokker	78.5	—2.5
Gist Brocades	287	—6.5
Heineken	236	—7.5
Hoogovens	83	—3.5
Int Mueller	74	—3.8
KLM	56.7	—2.3
KNP	125	—16.2
Naarden	63	—0.5
Nat Ned Cert	89.1	—0.4
Ned Mid Bank	245	—0.7
Nedlloyd	212	—5
Oce Grinten	435	—14
Ommeren (Van)	35.9	—0.4
Pakhoed	88.5	—4
Philips	61	—1.3
Robeco	84.7	—2
Rodamco	155.3	—0.1
Rolinco	73.8	—1.6
Rorento	46.9	+0.1
Royal Dutch	179.2	—4.3
Unilever	400	—12.5
VMF Stork	283	—7
VNU	307	—13
Wessanen	268	—6.5
West Utr Bank	95.5	+1

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

Jan. 9	Price Yen	+ or —
MHI	371	—10
Mitsui Bank	299	—21
Mitsui	452	.....
Mitsui Estate	1,030	—20
Mitsui Tcatsu	215	+4
Mitsukoshi	623	—10
NGK Insulators	896	.....
Nikko Sec	710	+5
Nippon Denso	1,370	—20
Nippon Elect	1,250	—20
Nippon Express	601	—9
Nippon Gakki	1,670	+30
Nippon Kogaku	991	—39
Nippon Kokan	130	—2
Nippon Oil	890	—6
Nippon Seiko	490	—10
Nippon Shimpan	790	+5
Nippon Steel	154	—3
Nippon Suisan	339	.....
Nippon Yusen	315	—4
Nissan Motor	573	—4
Nisshin Flour	490	—10
Nomura	1,040	—20
Olympus	995	—3
Onoda Cement	318	—10
Orient Finance	920	—15
Orient Leasing	2,700	—100
Pioneer	1,670	—30
Ricoh	1,010	—50
Sankyo	1,130	+30
Sanwa Bank	1,350	—10
Sanyo Elect	382	—7
Sapporo	688	+8
Sekisui Prefab	850	+5
Seven-Eleven	9,710	+20
Sharp	905	—5
Shimizu Constn	359	—5
Shionogi	800	+7
Shiseido	1,400	+10
Showa Denko	211	—2
Sony	4,000	—60
S'tomo Bank	1,650	—10
S'tomo Chem	240	—4
S'tomo Corp	777	+12
S'tomo Elect	869	—2
S'tomo Metal	138	—1
Taise Corp	320	—3
Taisho Marine	520	—3
Taiyo Kobe Bank	713	
Takeda	996	+1
TDK	4,260	—30
Teijin	485	—1
Tea. Nenryo	1,170	—30
Tokai Bank	980	.....
Tokio Marine	862	+5
Tokyo Elect Pwr	2,750	—60
Tokyo Gas	289	—6
Tokyu Corp	603	—2
Toppan Print	990	—10
Toray	512	—1
Toshiba Elect	360	—6
Toyo Seikan	1,640	+40
Toyota Motor	1,240	+10
UBE Inds	211	+1
Victor	1,600	+80
Yamaha	641	+1
Yamaichi Sec	702	—8
Y'manouchiPhm	3,150	.....
Yamazaki	816	—4
Yasuda Fire	531	+4

SINGAPORE

Jan. 9	Price $	+ or —
Boustead Hldgs	1.16	—0.03
Cold Storage	2.67	—0.03
DBS	4.46	—0.04
Genting	4.46	—0.12
Haw Par. Bros.	1.87	+0.01
Hong Leong Fin.	2.50	+0.06
Inchcape Bhd	1.62	.....
Keppel Shipyard	0.96	—0.02
Malay Banking	4.66	.....
Malay Utd. Ind.	1.56	—0.05
Multi Purpose	0.57	—0.03
OCBC	7.45	—0.10
OUB	2.80	+0.01
Public Bank	1.15	—0.05
Sime Darby	1.53	—0.02
Singapore Press	5.90	—0.05
Straits Trdg.	2.27	+0.02
Tat Lee Bk	2.21	—0.01
UOB	3.28	+0.02

SOUTH AFRICA

Jan. 9	Price Rand	+ or —
Abercom	2.20	.....
AE&CI	9.5	.....
Allied Tech	56	.....
Anglo Am. Coal	50.0	—0.5
Anglo Am. Corp	40.50	.....
Anglo Am. Gold	227	—2
Barclays Bank	20.5	+0.25
Barlow Rand	15.0	+0.2
Buffels	87.0	—0.5
CNA Gallo	2.40	.....
Currie Finance	4.3	—0.45
De Beer	18.25	—0.4
Driefontein	55.5	—0.75
FS Geduld	70.5	—1
Gold Fields S.A.	41.5	—0.5
Highveld Steel	6.1	—0.1
Nedbank	9.15	+0.1
OK Bazaars	14	.....
Protea Hldgs	2.6	+0.15
Rembrandt	52	.....
Rust Plat	28.5	+0.25
Safren	15.5	—0.5
Sage Hldgs	9.6	—0.1
SA Brews	9	+0.3
Smith (CG)	26.25	+0.25
Tongaat Huletts	8	+0.4
Unisec	6.55	—0.1

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. ex Ex all. * Price in Schillings.

CANADA

TORONTO
Prices at 2.30pm January 9

[illegible]

F—No voting rights or restricted voting rights.

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

RISES AND FALLS

NYSE-Consolidated 1500 Actives

TORONTO

[illegible]

** Saturday January 4: Japan Nikkei 13,136.9, TSE 1,049.13.

[illegible]

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 35

[illegible]

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Access Satell	120	+15
Assoc Newsp	970	+45
ACM	75	+5
Barr & WAT A	138	+9
Crystalate	136	+16
Distillers	525	+28
Goal Petrol	50	+12
Sons of Gwalia	180	+12
Thorn EMI	417	+8
Vaux	338	+13
Wardle Storeys	227	+9
Westland	98	+10

FALLS

Tr% 11¾pc 01/04	£107¾	—¾
Tr% 2½pc IL '20	£86⅞	—1
Babcock Int	165	—11
Beecham	323	—12
Berisford (S & W)	148	—7
B Ae	455	—18
BP	550	—8
Dee Corp	250	—17
Grand Met	376	—9
GKN	265	—10
Hanson Trust	191	—8
ICI	747	—15
Jaguar	339	—13
Legal & Gen	718	—25
Lucas Ind	485	—18
Sedgwick	362	—18
Shell Trans	887	—18
Tate & Lyle	520	—10

Prices at 3pm, January 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27⅝	18	AAR	.56	2.2	16	216	27	26⅝	26	−1¼
24⅝	10¾	AGS			18	619	23½	22⅞	23	−⅝
15⅝	9⅞	AMCA				41	11⅛	10¾	10¾	−⅝
50¾	33½	AMR			7	4547	40⅝	39⅝	40½	+¾
24¾	18⅝	AMR pf2.18		9.3		3	23⅝	23⅝	23⅝	−⅛
25⅞	23¼	ANR pf 2.67		11.		10	24	23⅞	23⅞	−⅛
11¾	7⅝	APL			5	28	10⅝	10⅝	10⅝	−⅛
16¾	9⅝	ARX			14	547	15	14⅝	14⅝	−⅛
55⅝	32¾	ASA	2a	5.2		1543	39¾	37¾	38¾	+¾
27	10½	AVX		2.2		222	14⅝	14	14⅛	−½
28⅛	20⅝	AZP	2.72	10.	7	1432	27	26	26⅞	−1
72	36⅞	AbtLab 1.40		2.1	16	x2192	67	65¼	66⅞	−½
27	19⅝	AccoWd .50		1.9	20	1284	26¾	26¼	26¾	
24¾	10	AcmeC .40		2.9	20	277	14⅛	13¾	13¾	−¼
10½	7	AcmeE .32b		3.9	13	13	8⅝	8¼	8¼	
19¾	15½	AdaEx 1.92e		10.		92	19⅛	18⅞	19	−¼
22¾	14	AdmMl .40		1.9	8	74	21⅜	21¼	21¼	−⅝
18⅝	8¼	AdvSys 1.36t		8.1	15	135	17⅛	16⅞	16⅞	−⅜
36⅝	22⅛	AMD			41	3189	27⅝	27	27⅝	+¾
12½	10⅝	Adobe n				241	12¼	11⅞	12	−¼
18¼	14⅝	Adob pf 1.84		10.		70	18	17⅝	17⅝	−⅜
18¼	15¼	Adob pf 2.40		14.		92	18	17⅝	17⅝	−⅝
14⅝	7¾	Advest .12a		.9	18	548	13⅛	12¼	12¾	+⅛
55½	36¼	AetnLf 2.64		4.9	17	2076	75	53¾	53⅝	−⅞
57½	52½	AetL pf5.19e		9.7		200	53⅝	53⅝	53⅝	−⅛
54	24⅝	Ahmns 1.20		2.4	8	4258	50	49⅞	50	+¼

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from Page 34

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¼	11½	ParkEl .08e	.4	16	x79	15¾	15⅜	15½	−⅜	
7½	4	ParkDrl.08	1.6		684	5⅛	5	5		
38½	28¼	ParkH 1.12	3.0	13	798	38⅜	37⅜	37⅞	−¼	
28⅝	15	ParkPn.52t	2.1	35	907	25½	24⅝	24¾	−⅞	
5	3	PatPtr s		10	60	3⅝	3½	3½	−⅛	
15¼	11½	PayNP .64	5.0	16	283	13⅛	12¾	12⅞	−⅜	
23⅜	13½	PayCsh .16	1.1	14	1205	14⅞	14½	14¾	−¼	
1⅛	¼	Pengo			356	11-16	⅝	⅝	−1-16	
56⅜	45	PenCen		14	457	52½	51¼	52⅛	−⅜	
57¼	44⅝	Penney2.36	4.4	10	3487	55½	52⅝	54⅛	+1⅞	
29⅞	23½	PaPL 2.56	8.8	10	3173	29¼	28⅞	29	−½	
42	33½	PaPL pf4.40	11.		z100	41	41	41		

X Y Z

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
5⅝	2¾	WridAr				40	4⅛	3⅞	4	
95	57½	Wrigly 1.80a	2.1	14	x109	87½	85	85½	−3	
4⅞	2⅞	Wurltzr				173	2⅞	d	2⅝	2¾	−⅛
16	10⅜	WyleLb .32	2.2	83	130	14⅞	14⅜	14½	−⅜	
23⅝	15½	Wynns .60	3.5	13	32	17¼	16¾	17	−¼	
61¼	37¼	Xerox 3	5.2	20	4742	58⅞	57⅝	58¼	−½	
56¾	48¾	Xerox pf5.45	10.		108	55½	54¼	54¾	−⅛	
30¼	24⅝	ZaleCp 1.32	4.6	13	76	29	28½	28½	−½	
17	6¼	Zapata .12	1.5	55	443	8½	7¾	7⅞	−⅝	
66⅞	33⅛	Zayre s .48	.8	17	1169	58¾	58	58	+1	
25	16¼	ZenithE		944	1031	19⅛	18¾	18⅞	−⅛	
23⅝	17¼	Zero s .36	1.7	18	123	22⅝	21½	21¾	−⅞	
41½	28	Zurnin 1.32	3.5	14	201	38¾	37½	38¼	+⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, January 9

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 33

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Attempts to fight back overwhelmed

THE ROUT of Wall Street was resumed at mid-session yesterday when the bond market slumped again in the face of renewed institutional selling, sparked off by reported Middle Eastern pressure on the dollar, *writes Terry Byland in New York.*

The stock market tried to steady at first but was overwhelmed by futures-oriented selling of blue chips. Hardest hit were those stocks vulnerable to the sudden reversal of views on interest rates.

At the close the Dow Jones industrial average was down 8.38 at 1,518.23.

Bonds quickly extended early losses on fears that Arab selling of the dollar might be followed by similar pressures on federal bonds. The renewed wave of selling put an end to attempts at "bottom-fishing," according to Mr Dan Napoli of Merrill Lynch's federal bond department.

Traders agreed that the rally in the bond market is now over. Some expect rates to be forced even higher as the economy strengthens.

Turnover in the stock market was very heavy and prices moved erratically, often leaving the reporting tapes well behind the trading floor's prices.

After opening lower, stocks moved briefly into plus territory before being overwhelmed by renewed selling, sparked by narrow premiums on market futures indices against the cash values of the indices themselves.

Stock market analysts comforted themselves with the view that a market correction was only to be expected. But few saw an end to the rout before the Dow reaches 1,500 or perhaps 1,480.

Utility stocks, always market barometers of interest rate views, tumbled. Consolidated Edison, the New York electric utility, shed $⅝ to $39⅛ and Public Service Electric & Gas $⅝ to $31⅛.

Banks, which have benefited from lower interest rates, also fell despite optimism ahead of the quarterly results season. Chemical Bank, opening the reporting season, fell $1¼ to $45⅝. Also down were Bankers Trust, $1⅝ off at $73⅜, Chase Manhattan, $1⅛ off at $73⅞ and J. P. Morgan, $1⅛ off at $62⅛.

Technology stocks, still buoyed by brokerage recommendation, resisted the downward trend at first but were later overcome. Heavy trading in IBM, whose quarterly statement will act as a market signpost, left the stock $⅝ down at $148. Digital Equipment at $132⅞ lost $⅞, Honeywell at $72⅛ was $⅝ off while Burroughs held out with a gain of $⅝ to $62⅝. But with the dollar's future problematical if US interest rates rise, pharmaceuticals turned down. Pfizer lost $2 to $49⅛ and Merck $4⅞ to $134⅞.

Some retail groups held out against the trend, following the latest sales reports from the major stores. J. C. Penney gained $1⅛ to $54⅞, but May Department Stores dipped $1⅞ to $60 and Federated Department Stores $1⅛ to $64⅞. Toys R Us eased $⅛ to $33⅞ after a single 1m plus share deal lifted the stock to the head of the NYSE actives list.

Eastman Kodak, with its instant photography business threatened by a federal court decision, fell $1⅛ to $46⅞ in heavy selling, while Polaroid – apparently victorious in the patent struggle with Kodak – gained a further $2⅛ to $46⅞.

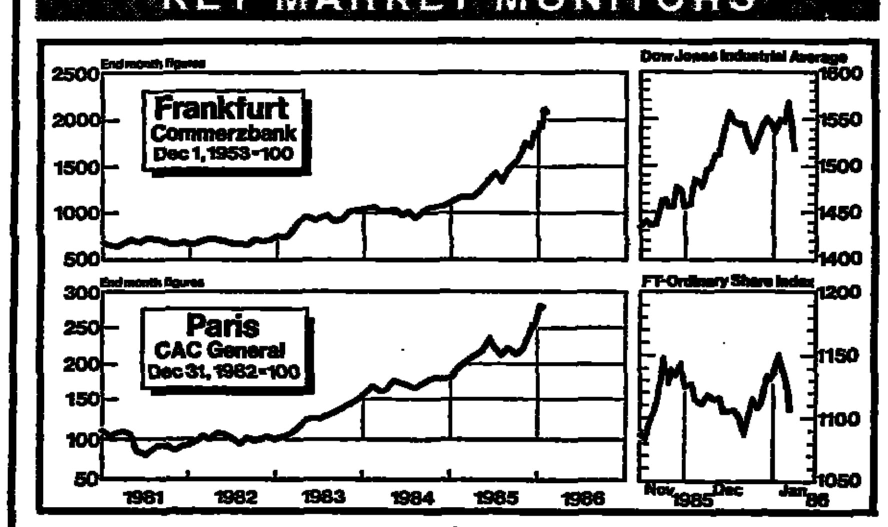
Pennzoil tumbled $2⅛ to $72⅛ after the chairman discounted chances of a settlement with Texaco over the $11.1bn penalty charge. At $29⅝, Texaco shed $⅝.

Oil stocks were mixed, with the chief feature provided by heavy, speculative trading in Mobil, which added $⅝ to $30⅝ despite boardroom denials of plans to restructure the group by selling off the Montgomery Ward retail side.

Pacific Telesis fell $3 to $79 on reports of an adverse response to a request for higher rates. Shering-Plough gained $1⅞ to $58⅞ after press suggestions that its interferon drug might be a defence against the common cold.

The setback in the dollar quickly depressed bond prices, which showed losses of around 1½ points. Short-term rates began to move higher again despite federal funds at 7⅞ per cent and $2.5bn in customer repurchase arrangements by the Federal Reserve.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Jan 9	Previous	Year ago
DJ Industrials	1,514.68*	1,526.61	1,202.74
DJ Transport	686.25*	693.49	564.44
DJ Utilities	171.37*	174.75	147.16
S&P Composite	205.34*	207.97	165.18
LONDON			
FT Ord	1,106.1	1,123.8	982.4
FT-SE 100	1,379.6	1,404.2	1,259.2
FT-A All-share	669.26	680.04	606.91
FT-A 500	732.53	744.34	667.31
FT Gold mines	280.2	286.6	462.7
FT-A Long gilt	10.64	10.58	10.58
TOKYO			
Nikkei	13,034.19	13,056.42	11,763.16
Tokyo SE	1,032.80	1,037.90	926.40
AUSTRALIA			
All Ord.	1,043.9	1,041.6	715.6
Metals & Mins.	521.7	517.0	395.2
AUSTRIA			
Credit Aktien	124.55	122.66	58.73
BELGIUM			
Belgian SE	2,792.84	2,805.01	2,153.45
CANADA			
Toronto			
Metals & Minls	2,085.6*	2,101.7	1,948.9
Composite	2,831.9*	2,859.8	2,359.1
Montreal			
Portfolio	137.82*	139.15	117.88
DENMARK			
SE	n/a	231.96	159.28
FRANCE			
CAC Gen	276.2	282.3	187.7
Ind. Tendance	104.9	108.2	103.4
WEST GERMANY			
FAZ-Aktien	693.27	703.00	392.73
Commerzbank	2,081.6	2,098.8	1,141.4
HONG KONG			
Hang Seng	1,798.51	1,826.84	1,269.95
ITALY			
Banca Comm.	460.73	463.53	238.21
NETHERLANDS			
ANP-CBS Gen	261.7	267.0	186.9
ANP-CBS Ind	249.8	254.0	149.6
NORWAY			
Oslo SE	398.29	398.28	308.79
SINGAPORE			
Straits Times	640.43	644.89	770.45
SOUTH AFRICA			
JSE Golds	–	1,233.6	939.7
JSE Industrials	–	1,105.6	924.8
SPAIN			
Madrid SE	103.45	103.07	104.94
SWEDEN			
J & P	1,867.32	1,907.23	1,417.51
SWITZERLAND			
Swiss Bank Ind	610.2	625.5	403.5
WORLD	Jan 8	Prev	Year ago
Capital Int'l	256.0	259.0	185.6

COMMODITIES

(London)	Jan 9	Prev
Silver (spot fixing)	409.20p	407.40p
Copper (cash)	£974.25	£971.50
Coffee (Jan)	£2,685.00	£2,865.00
Oil (spot Arabian Light)	$27.35	$27.65

GOLD (per ounce)

	Jan 9	Prev
London	$335.25	$332.50
Zürich	$333.75	$332.75
Paris (fixing)	$335.47	$332.30
Luxembourg	$333.50	$331.30
New York (Feb)	$339.90	$336.10

CURRENCIES

(London)	US DOLLAR Jan 9	US DOLLAR Previous	STERLING Jan 9	STERLING Previous
$	–	–	1.453	1.4435
DM	2.4465	2.456	3.555	3.545
Yen	202.05	202.0	293.5	291.5
FFr	7.5	7.5325	10.8975	10.875
SFr	2.0785	2.085	3.02	3.01
Guilder	2.7545	2.764	4.0225	3.99
Lira	1,668.5	1,672.0	2,424.5	2,413.5
BFr	50.11	50.1	72.85	72.3
C$	1.3985	1.40125	2.0257	2.0225

INTEREST RATES

Euro-currencies (3-month offered rate)	Jan 9	Prev
£	13	12¹¹⁄₁₆
SFr	4⁷⁄₁₆	4⁷⁄₁₆
DM	4¾	4⅝
FFr	12⅝	12¼
FT London interbank fixing (offered rate)		
3-month US$	8³⁄₁₆	8
6-month US$	8³⁄₁₆	8
US Fed Funds	7⅞*	7¹¹⁄₁₆
US 3-month CDs	7.80*	7.65
US 3-month T-bills	7.185*	7.13

US BONDS

Treasury		Jan 9* Price	Jan 9* Yield	Prev Price	Prev Yield
7⅞	1987	99¹⁵⁄₃₂	8.258	99²⁴⁄₃₂	8.012
8¾	1993	98⁴⁄₃₂	9.112	n/a	n/a
9½	1995	101¹¹⁄₃₂	9.285	102²⁴⁄₃₂	9.55
9⅞	2015	104	9.468	105²⁹⁄₃₂	9.315

Treasury Index

Maturity (years)	Return index	Jan 9* Day's change	Yield	Day's change
1–30	137.06	−0.77	8.90	+0.14
1–10	133.87	−0.59	8.66	+0.15
1–3	128.92	−0.28	8.27	+0.13
3–5	135.54	−0.89	8.86	+0.22
15–30	148.54	−1.39	9.76	+0.11

Source: Merrill Lynch

Corporate	Jan 9* Price	Jan 9* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	102	9.80	101½	9.90
3⅞ July 1990	86	7.65	86½	7.50
8¾ May 2000	90¼	10.05	91⅜	9.85
Xerox				
10⅞ Mar 1993	105½	9.52	105	9.62
Diamond Shamrock				
10⅜ May 1993	103	10.00	102½	10.10
Federated Dept Stores				
10⅝ May 2013	102½	10.30	102	10.40
Abbot Lab				
11.80 Feb 2013	110⅝	10.55	110⅝	10.85
Alcoa				
12¼ Dec 2012	109⅞	11.05	109⅝	11.15

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	83–12	83–28	83–00	84–11
US Treasury Bills (IMM) $1m points of 100%				
Mar	92.93	92.96	92.88	92.97
Certificates of Deposit (IMM) $1m points of 100%				
Mar	92.20	92.27	92.18	92.30
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	91.89	91.98	91.84	92.11
20-year Notional Gilt £50,000 32nds of 100%				
Mar	108–22	109–08	108–09	109–16

* *Latest available figures*

LONDON

Confidence attacked on two fronts

FEARS that the rise in bank base rates may not be enough to defend sterling if world oil prices move lower combined with the resignation of Mr Michael Heseltine, the Defence Secretary, to send stocks and bonds sharply lower in London.

Prices were cut at the opening after Wall Street's overnight performance and there was some forced selling to cover speculative losses incurred in the stores sector.

The pressure gradually eased and the FT Ordinary share index, down 21 at one stage, rallied to close 17.7 lower at 1,106.1.

Gloom shrouded gilts with longs down about ⅝ and shorts off ³⁄₁₆.

Chief price changes, Page 31; Details, Page 30; Share information service, Pages 28–29

SOUTH AFRICA

IN THE FACE of a higher price for bullion, gold shares closed down in Johannesburg dragging some other sectors with them.

Doornfontein lost R1 at R35.50, Welkom 25 cents at R20.50 Driefontein 75 cents to R55.50 and Buffels 50 cents to R87.00.

In mining financials, Gold Fields SA shed 50 cents to R41.50 despite a rise in after-tax profits from its gold mines for the quarter to December 31.

Diamond share De Beers lost 40 cents to R18.25, while Impala suffered from profit-taking dropping 75 cents to R29.75 and Rustenburg Platinum gained 25 cents to R28.50.

HONG KONG

THE STEAM went out of Hong Kong yesterday as prices slipped back after nine higher sessions.

Rumours circulating the market were as much to blame for the fall as the technical correction following Wall Street's drop. The Hang Seng index lost 28.33 to 1,798.51.

Speculation that Jardine Matheson or Hongkong Land or both were planning placements left property shares jittery. Hongkong Land eased 15 cents to HK$6.80, Jardine 50 cents to HK$13.50, Cheung Kong 60 cents to HK$21.40 and Sun Hung Kai 30 cents to HK$13.10.

CANADA

THE SPILLOVER effect from Wall Street caused Toronto to turn lower in active trading.

Blue chips led the decline, with Bell Canada trading C$⅝ down at C$41, Alcan C$⅝ at C$40¼, Canadian Pacific C$½ at C$17⅜ and Husky Oil C$¼ at C$10⅛.

Banks shares continued their recent falls, with Canadian Imperial Bank of Commerce C$⅝ off at C$41 and National Bank of Canada C$¼ easier at C$23¼.

Montreal was mostly lower, with some rises in the oil and gas sector.

SINGAPORE

AFTER Wednesday's firmness, prices turned lower in Singapore as investors stepped in to take profits.

The Straits Times industrial index shed 4.46 to 640.43 on turnover almost steady at 14.2m shares compared with 14.9m on the previous day.

Actives were again led by Singapore Airlines which ended steady at S$4.94.

Plantations bucked the general trend with Kulim up 3 cents at S$1.43 and KL Kepong 4 cents higher at S$1.88.

AUSTRALIA

MINERS were popular in a firmer Sydney and golds registered strong gains. The gold index made its largest gains since last August, jumping 35.4 to 936.6.

Central Norseman added 40 cents to A$7.30, GMK 30 cents to A$8.70 and Kidston 34 cents to A$5.60.

Among other miners, Western Mining gained 12 cents to A$3.52, Peko 4 cents to A$5.24, while CRA was an exception, dropping 12 cents to A$5.84.

EUROPE

Sharp fall in US triggers domino effect

THE DOMINO effect took hold of the European bourses yesterday in the wake of the sharp overnight fall on Wall Street.

Frankfurt was stopped dead in its tracks. The record shattering pace of the previous sessions was abruptly halted although trading was extended by 30 minutes for the third consecutive session. With turnover expected to approach Wednesday's record DM 1.34bn, the Commerzbank index weakened 17.20 to 2,081.6.

Car makers naturally suffered some of the first body blows of the session, with Daimler slumping DM 37 to DM 1,385, although VW curtailed its loss to DM 9.80 at DM 538.20. Porsche moved against the trend with its quite dramatic DM 30 jump to DM 1,380.

Among financials Deutsche Bank slipped DM 15 to DM 905, while Dresdner retreated DM 9 to DM 457, although insurer Allianz opened with a respectable DM 30 rise but immediately succumbed to profit-takers, forcing it a net DM 20 lower at DM 2,500. Munich Re fared better with its closing quote of DM 3,700, an advance of DM 150.

A few other isolated features offered a glimpse of the underlying strength of the market. AEG confidently breached the DM 300 barrier with its DM 5.30 rise to DM 303, while Hochtief put on DM 15 to DM 785. Hoesch gained DM 7.50 to DM 194 and Rosenthal picked up DM 2 to DM 385. Metallgesellschaft continued on its path to glory with a hefty DM 40 rise to DM 430.

The bond market was somewhat shaken. Longer-dated maturities suffered falls of up to 35 basis points from the start although turnover was moderate. Shorts were steady.

The Bundesbank supported the market with purchases of DM 42m of public paper compared with sales of DM 109 on Wednesday.

In Amsterdam prices were swiftly marked down in the morning but managed to stage a modest recovery from the lows of the day. The ANP-CBS General index lost 5.3 to 261.7.

Akzo, ahead of preliminary results, clawed its way back from an opening loss of Fl 6.30 to close Fl 3.80 down at Fl 152.50, while KLM was Fl 2.30 cheaper at Fl 50.70 after a midday Fl 56.50. But Unilever, which slumped $9 overnight in New York, increased its early fall of Fl 10.5 to close at Fl 400, a net decline of Fl 12.50. Philips eased Fl 1 to Fl 61 on results.

Mortgage bank WUH, strong in recent days, gained Fl 1 to Fl 95.50 as ABN was knocked down Fl 10 to Fl 593 and NMB dipped Fl 7 to Fl 245.

Bonds suffered a brisk mark-down with most falls limited to a 20–30 basis point range although some fell by up to 80 basis points.

The peak reached in Zurich on Wednesday was quickly surrendered with many casualties among banks insurers and other blue-chips.

UBS weakened SFr 150 to SFr 5,300, while Swiss Bank dipped SFr 10 to SFr 596. Insurer Winterthur managed to resist the profit-taking for most of the day but succumbed to end SFr 175 down at SFr 5,325, and Zurich Insurance dipped SFr 50 to SFr 6,450.

Other victims of the bloodletting included Nestlé, SFr 300 down at SFr 9,200, Jacobs-Suchard, SFr 200 off at SFr 7,750, and Sandoz, SFr 325 lower at SFr 11,500. Brown Boveri eased SFr 50 to SFr 1,820 amid plans to buy 10 per cent of BBC-Mannheim.

In the bond market, issues with warrants traded slightly lower. The 3¾ per cent Gotthard Bank bond with warrants, however, rose 2.5 points to 125 per cent.

Brussels lost ground steadily although the small level of turnover suggested that panic selling was not the order of the day. The Belgian Stock Exchange index retreated 12.17 to 2,792.84.

Petrofina, the largest industrial unit in Belgium, firmed BFr 10 to BFr 6,430 in low volume. Utility Ebes suffered a sharp fall of BFr 105 to BFr 3,610, while retailer GB-Inno-BM also weakened BFr 110 to BFr 4,700 on concern over static profits.

Paris ended a month of solid advances with a large fall although market operators did not ascribe much of the decline to New York influences. Volume was expected to approach the record FFr 1.3bn recorded on Wednesday.

A dismal Stockholm was a suitable foil to the dazzling display by Fermenta, which jumped SKr 47 to SKr 298 in reaction to its pharmaceutical acquisitions. Volvo, the other leading player in the drugs shakeup, finished unchanged at SKr 370.

Milan was confronted with incessant heavy selling, which continued into after-bourse trading, while Madrid contented itself with a modest rally among banks to finish the day ahead.

TOKYO

Persistent fears break the calm

WEDNESDAY'S drop on Wall Street caused light panic selling at the start of yesterday's session in Tokyo, but calm returned to the market shortly afterwards and prices recovered much of the losses, *writes Shigeo Nishiwaki of Jiji Press.*

Fears about the market trend persisted, however, and only small-capital incentive-backed issues moved actively. Blue chips and domestic demand-related stocks were neglected.

The Nikkei average plummeted 97 points at the outset of trading with investors unloading shares almost across the board as a cut in the US official discount rate had become uncertain. But panic selling soon ceased and prices made a temporary 5 point rise.

However, selling returned toward the close and left the index 22.23 lower at 13,034.19. Volume expanded from 299.42m shares Wednesday to 370.57m. Losses outpaced gains 455 to 348, with 145 issues unchanged.

In the absence of institutional and individual investors, the active list was made up mostly by speculative leaders. Keisei Electric Railway seesawed violently, finishing Y6 lower at Y396 after registering a Y10 gain. It was the busiest issue with 17.58m shares changing hands, followed by C. Itoh and Co, which added Y18 to Y447 on trading of 15.48m shares.

Sapporo Breweries, which has been popular due to its urban redevelopment project, fluctuated wildly between Y670 and Y704, closing Y8 higher at Y688. It was third on the list with 15.61m shares.

With uncertainty over Japanese and US interest rate reductions pushing bond prices higher, dealers hurried to unload, causing a sharp turnaround from Wednesday, when prices spurted reflecting the plunge in the yield on the 30-year government bond on the US market.

Most institutional investors took a wait-and-see attitude. The yield on the 6.2 per cent government bond, the new benchmark issue maturing in July 1995, rose sharply from 5.560 per cent to 5.695 per cent.